

In the opinion of Bond Counsel, under current law and subject to conditions described in the section herein "Tax Exemption," interest on the Bonds (1) will not be included in gross income for Federal income tax purposes, (2) will not be an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations, and (3) will be exempt from income taxation by the Commonwealth of Virginia. Such interest may be included in the calculation of a corporation's alternative minimum income tax, and a holder may be subject to other Federal tax consequences as described in the section herein "TAX EXEMPTION."

**NEW ISSUE
BOOK-ENTRY ONLY**

**RATINGS: Moody's: "___"
Standard & Poor's: "___"
Fitch: "___"
(see "RATINGS" herein)**

**\$39,615,000
COUNTY OF FAUQUIER, VIRGINIA
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2006**

Dated: _____, 2006

Due: _____, as shown on the inside cover

This Official Statement has been prepared by the County of Fauquier, Virginia (the "County"), to provide information on the Bonds. Selected information is presented on this cover page for the convenience of the user. To make an informed decision regarding the Bonds, a prospective investor should read this Official Statement in its entirety.

Security	The Bonds will be general obligations of the County for the payment of which the County's full faith and credit will be irrevocably pledged. The Board of Supervisors will be authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the County sufficient to pay principal of and interest on the Bonds, as the same respectively become due and payable.
Redemption	The Bonds are subject to optional redemption prior to maturity as set forth herein.
Purpose	The Bonds are being issued to finance the acquisition, construction and equipping of a new high school in the County and to pay the costs of issuing the Bonds.
Interest Rates/Yields	See inside cover
Interest Payment Dates	_____ and _____, beginning _____, ____
Denomination	\$5,000 or integral multiples thereof
Regular Record Date	The 15th day of the month preceding each interest payment date
Closing/Delivery Date	On or about _____, 2006
Registration	Book-entry only through the facilities of The Depository Trust Company
Registrar	SunTrust Bank (or any successor entity), Richmond, Virginia
Bond Counsel	Hunton & Williams LLP
County Attorney	Kevin J. Burke, Esquire
Financial Advisor	BB&T Capital Markets, a division of Scott & Stringfellow, Inc., Richmond, Virginia
Conditions Affecting Issuance	The Bonds are offered when, as and if issued, subject to, among other conditions, the approving legal opinion of Hunton & Williams LLP.

This Official Statement Dated: _____, 2006

\$39,615,000
COUNTY OF FAUQUIER, VIRGINIA
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2006

<u>Year</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Initial Offering Price/Yield</u>	<u>CUSIP No.</u>
2007	\$1,215,000			
2008	1,400,000			
2009	2,000,000			
2010	2,000,000			
2011	2,000,000			
2012	2,000,000			
2013	2,000,000			
2014	2,000,000			
2015	2,000,000			
2016	2,000,000			
2017	2,100,000			
2018	2,100,000			
2019	2,100,000			
2020	2,100,000			
2021	2,100,000			
2022	2,100,000			
2023	2,100,000			
2024	2,100,000			
2025	2,100,000			
2026	2,100,000			

(Plus accrued interest from _____, 2006)

*Preliminary, subject to change.

COUNTY OF FAUQUIER, VIRGINIA

BOARD OF SUPERVISORS

Raymond E. Graham, *Chairman*
Harry Atherton, *Vice Chairman*
William G. Downey, IV
Richard W. Robison
Chester W. Stribling

COUNTY OFFICIALS

Paul S. McCulla, *County Administrator*
Dr. J. David Martin, *Superintendent of Schools*
Anthony I. Hooper, *Deputy County Administrator*
Catherine M. Heritage, *Assistant County Administrator*
Kevin J. Burke, Esquire, *County Attorney*
Vivian A. McGettigan, *Director of Finance*

BOND COUNSEL

Hunton & Williams LLP
Richmond, Virginia

FINANCIAL ADVISOR

BB&T Capital Markets,
a division of Scott & Stringfellow, Inc.
Richmond, Virginia

AUDITORS*

Cherry Bekaert & Holland, L.L.P.
Richmond, Virginia

*The audited basic financial statements for fiscal year ended June 30, 2005, included in this Official Statement were prepared by the County's former auditors, Robinson, Farmer, Cox Associates, Charlottesville, Virginia.

The Bonds will be exempt from registration under the Securities Act of 1933, as amended. As obligations of a political subdivision of the Commonwealth of Virginia, the Bonds will also be exempt from registration under the securities laws of Virginia.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Bonds. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date of this Official Statement.

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OFFICIAL STATEMENT
Relating to the Issuance of
\$39,615,000
COUNTY OF FAUQUIER, VIRGINIA
GENERAL OBLIGATION SCHOOL BONDS
SERIES 2006

SECTION ONE: INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices, is to present certain information relating to the County of Fauquier, Virginia (the "County"), in connection with its sale of \$39,615,000 General Obligation School Bonds, Series 2006 (the "Bonds"). The information is qualified in its entirety by information found elsewhere in this Official Statement. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Bonds will be offered for sale through competitive bidding on _____, 2006. An Official Notice of Sale dated _____, 2006, relating to the Bonds will be furnished to prospective bidders.

THE ISSUER

The County is located in the north-central region of Virginia, approximately 95 miles northwest of Richmond, Virginia, and 40 miles southwest of Washington, D.C. The County consists of approximately 660 square miles and its population in 2005 was estimated at approximately 61,500.

THE BONDS

The Bonds consist of \$39,615,000 General Obligation School Bonds, Series 2006, dated _____, 2006, and maturing annually on _____ from ____ through _____. The Bonds will be issued in authorized denominations of \$5,000 and integral multiples thereof and will be held by The Depository Trust Company, New York, New York ("DTC"), or its nominee, as securities depository with respect to the Bonds. See the section herein "THE BONDS -- Book-Entry System."

Interest on the Bonds will be payable on _____ and _____, commencing _____, _____, until maturity. As long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date.

SECURITY FOR THE BONDS

The Bonds constitute general obligations of the County, secured by an irrevocable pledge of its full faith and credit. See the section herein "SECURITY FOR THE BONDS."

USE OF PROCEEDS

Proceeds of the Bonds will be used to (a) finance the acquisition, construction and equipping of a new high school in the County and (b) pay costs incurred in connection with the issuance of the Bonds.

REDEMPTION

The Bonds maturing on or before _____, ____, are not subject to optional redemption prior to maturity. The Bonds maturing on or after _____, ____, are subject to redemption prior to maturity at the option of the County on or after _____, ____, in whole or in part (in integral multiples of \$5,000) at any time, upon payment of [100%] of the principal amount of Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption. See the section herein "DESCRIPTION OF THE BONDS--Redemption."

TAX EXEMPTION

Under current law, interest on the Bonds will be excludable from gross income for Federal income tax purposes and will be exempt from income taxation by the Commonwealth of Virginia. See the section herein "TAX EXEMPTION" for a more complete description of the significant elements of the Federal and state income tax status of interest on the Bonds.

BOND COUNSEL

Hunton & Williams LLP serves as Bond Counsel ("Bond Counsel") to the County in connection with the issuance of the Bonds. The opinion of Bond Counsel will be dated and given on, and will speak only as of, the date of issuance and delivery of the Bonds.

The scope of engagement of Bond Counsel does not extend to passing upon or assuming responsibility for the accuracy or adequacy of any statements made in this Official Statement other than matters expressly set forth in their opinion, and Bond Counsel will make no representation that they have independently verified the same.

FINANCIAL ADVISOR

BB&T Capital Markets, as division of Scott & Stringfellow, Inc., serves as financial advisor to the County in connection with the issuance of the Bonds. The financial advisor's fee for services rendered with respect to the sale of the Bonds is not contingent upon the issuance and delivery of the Bonds.

AUDITORS

The financial statements of the County for the fiscal year ended June 30, 2005, are included in Appendix A to this Official Statement and have been audited by the independent public accounting firm of Robinson, Farmer, Cox Associates. Such financial statements have been included in reliance upon the report of Robinson, Farmer, Cox Associates. Robinson, Farmer, Cox Associates will not be reviewing this Official Statement or any other matters in connection with the issuance of the Bonds.

RATINGS

The Bonds have been rated as shown on the cover page hereto by Moody's Investors Service, 99 Church Street, New York, New York 10007-2796, Standard & Poor's Public Finance Ratings, 55 Water Street, New York, New York 10041, and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004. See the section herein "RATINGS" for a more complete description of the ratings.

DELIVERY

The Bonds are offered for delivery, when, as and if issued, subject to the approval of validity by Bond Counsel, and to certain other conditions referred to herein. It is expected that the Bonds will be available for delivery at the expense of the County through the facilities of DTC on or about _____, 2006.

OFFICIAL STATEMENT

This Official Statement has been approved and authorized by the County for use in connection with the sale of the Bonds. Its purpose is to supply information to prospective buyers of the Bonds. Financial and other information contained in this Official Statement have been prepared by the County from its records, except where other sources are noted. The information is not intended to indicate future or continuing trends in the financial or economic position of the County.

All quotations from and summaries and explanations of laws contained in this Official Statement do not purport to be complete, and reference is made to said laws for full and complete statements of their provisions.

CONTINUING DISCLOSURE

The County has agreed to execute a continuing disclosure agreement at closing to assist the purchaser of the Bonds in complying with the provisions of Rule 15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) and as in effect on the date hereof, by providing annual financial information and material event notices required by the Rule. See the section herein “CONTINUING DISCLOSURE” for more information concerning the County’s undertaking.

ADDITIONAL INFORMATION

Any questions concerning the contents of this Official Statement should be directed to the following: Vivian A. McGettigan, Director of Finance, 320 Hospital Drive, Warrenton, Virginia 20186; telephone (540) 428-8726; or the County’s financial advisor, BB&T Capital Markets, 909 East Main Street, Richmond, Virginia 23219; telephone (804) 649-3982.

SECTION TWO: THE BONDS

AUTHORIZATION AND PURPOSE

The Bonds have been authorized by referendum held on March 15, 2005, and by a resolution adopted by the Board of Supervisors of the County (the "Board of Supervisors") on _____, 2006 (the "Bond Resolution"), and are issued pursuant to the Public Finance Act of 1991 (Chapter 26, of Title 15.2, of the Code of Virginia of 1950, as amended).

The County will use the proceeds of the Bonds to finance the acquisition, construction and equipping of a new high school in the County and to pay the costs of issuing the Bonds. The new high school will be the County's third high school and consist of approximately 230,000 square feet of classrooms, library, auditorium, media center, gymnasium and related space. Construction on the new high school is expected to begin in September of 2006 with the opening scheduled in the fall of 2008. The total cost of the new high school is estimated at \$67,500,000. Additional funding will come from cash appropriations made in fiscal years 2004 through 2007 and school bonds expected to be issued in fiscal year 2008.

The following table sets forth the anticipated application of the proceeds of the Bonds, including accrued interest, for the purposes described below:

Sources of Funds

Face Amount of Bonds
Plus [Net] Original Issue Premium/(Discount)
Accrued Interest

Total Sources

Uses of Funds

Deposit to Project Fund
Costs of Issuance (including Underwriter's compensation)
Accrued Interest

Total Uses

DESCRIPTION OF THE BONDS

General Description

The Bonds will be dated _____, 2006, and will mature on _____ in each of the years ____ to _____, inclusive, as set forth on the inside cover. Interest on the Bonds will be payable on _____ and _____, commencing _____, _____, by check or draft mailed to the registered owners at their addresses as they appear on the registration books on the _____ and _____ immediately preceding each interest payment date; provided, however, that as long as the Bonds are held by DTC or its nominee, interest will be paid to Cede & Co., as nominee of DTC, in same day funds on each interest payment date. If such interest payment date is not a business day, such payment shall be made on the next succeeding business day with the same effect as if made on the interest payment date and no additional interest shall accrue. The registration books are kept by SunTrust Bank (or any successor entity), Richmond, Virginia, who has been appointed paying agent and registrar (the "Registrar").

Book-Entry System

The description which follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Bonds, payments of principal of and interest on the Bonds to DTC, its nominee, Direct Participants (defined below) or Beneficial Owners (defined below), confirmation and transfer of beneficial ownership interests in the Bonds and other bond-related transactions by and between DTC, the Direct Participants and Beneficial Owners is based solely on information furnished by DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC's partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of New York Banking Law, member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation ("NSCC," "FICC" and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holding on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC (nor its nominee) or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates will be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

The County has no responsibility or obligation to the Direct or Indirect Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Direct or Indirect Participant; (b) the payment by any Direct or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and interest on the Bonds; (c) the delivery or timeliness of delivery by any Direct or Indirect Participant of any notice to any Beneficial Owner that is required or permitted under the terms of the Bond Resolution to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an Omnibus Proxy.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references in this Official Statement to the Owners of the Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners, and Cede & Co. will be treated as the only holder of Bonds for all purposes under the Bond Resolution.

The County may enter into amendments to the agreement with DTC or successor agreements with a successor securities depository, relating to the book-entry system to be maintained with respect to the Bonds without the consent of Beneficial Owners or Bondholders.

Redemption

Optional Redemption. Bonds maturing on or before _____, _____, are not subject to redemption prior to maturity. Bonds maturing on or after _____, _____, are subject to redemption prior to maturity at the option of the County on or after _____, _____, in whole or in part (in integrals of \$5,000) at any time, upon payment of [100%] of the Bonds to be redeemed plus interest accrued and unpaid to the date fixed for redemption.

Manner of Redemption

If less than all of the Bonds are called for redemption, the Bonds to be redeemed shall be selected by the Finance Director of the County in such manner as may be determined to be in the best interest of the County. If less than all the Bonds of a particular maturity are called for redemption, the Bonds within such maturity to be redeemed shall be selected by DTC or any successor securities depository pursuant to its rules and procedures or, if the book-entry system is discontinued, shall be selected by the Registrar by lot in such manner as the Registrar in its discretion may determine. In either case, (a) the portion of any Bond to be redeemed shall be in the principal amount of \$5,000 or some integral multiple thereof and (b) in selecting Bonds for redemption, each Bond shall be considered as representing that number of bonds that is obtained by dividing the principal amount of such bond by \$5,000.

Notice of Redemption

The County shall cause notice of the call for redemption identifying the Bonds or portions thereof to be redeemed to be sent by facsimile transmission, registered or certified mail or overnight express delivery, not less than 30 nor more than 60 days prior to the redemption date, to DTC, or its nominee, as the registered owner of the Bonds. If a portion of this Bond is called for redemption, a new Bond in principal amount of the unredeemed portion hereof shall be issued to the registered owner upon surrender hereof. The County shall not be responsible for mailing notice of redemption to anyone other than DTC or another qualified securities depository or its nominee unless no qualified securities depository is the registered owner of the Bonds. If no qualified securities depository is the registered owner of the Bonds, notice of redemption shall be mailed to the registered owners of the Bonds.

The County may give or cause to be given notice of redemption prior to a deposit of redemption moneys if such notice states that the redemption is to be funded with the proceeds of a refunding bond issue and is conditioned on the deposit of such proceeds. Provided that moneys are deposited on or before the redemption date, such notice shall be effective when given. If such proceeds are not available on the redemption date, such Bonds will continue to bear interest until paid at the same rate they would have borne had they not been called for redemption and principal will continue to be payable as scheduled. On presentation and surrender of the Bonds called for redemption at the place or places of payment, such Bonds shall be paid and redeemed.

SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS

The Bonds will be general obligations of the County for the payment of which the County's full faith and credit will be irrevocably pledged. While the Bonds remain outstanding and unpaid, the Board of Supervisors is authorized and required, unless other funds are lawfully available and appropriated for the timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law, and without limitation as to rate or amount, upon all locally taxable property within the County sufficient to pay when due the principal of and interest on the Bonds.

The County has never defaulted in the payment of either principal of or interest on any indebtedness.

BONDHOLDERS' REMEDIES IN THE EVENT OF DEFAULT

Section 15.2-2659 of the Code of Virginia of 1950, as amended, provides that upon affidavit filed with the Governor of the Commonwealth of Virginia (the "Commonwealth") by any holder of or paying agent for a general obligation bond in default as to payment of principal, premium, if any, or interest, the Governor shall conduct a

summary investigation to his satisfaction and, if satisfied that such default has occurred, the Governor shall order the State Comptroller to withhold all funds appropriated and payable by the Commonwealth to the political subdivision so in default and apply such funds to payment of the defaulted principal, premium, if any, and interest.

Section 15.2-2659 also provides for notice to the registered owners of such bonds of the default and the availability of withheld funds. The State Comptroller advises that to date no order to withhold funds pursuant to Section 15.2-2659 or the predecessor provisions of Section 15.2-2659 has ever been issued. Although neither Section 15.2-2659 nor its predecessor provisions have been approved by a Virginia court, the Attorney General of Virginia has ruled that appropriated funds may be withheld by the Commonwealth pursuant to its predecessor section, Section 15.1-225. In the fiscal year ended June 30, 2005, \$20,660,061 total direct appropriations were paid by the Commonwealth to the County, and \$31,650,343 total direct appropriations were paid by the Commonwealth to the Schools, for a total of \$52,310,404. Of that amount, \$20,459,473 was deposited in the County's general fund.

Neither the Bonds, nor the proceedings with respect thereto specifically provide any remedies that would be available to a bondholder if the County defaults in the payment of principal or interest on the Bonds, nor do they contain any provision for the appointment of a trustee to protect and enforce the interests of the bondholders upon the occurrence of such a default. Upon any default in the payment of principal or interest, a bondholder may, among other things, seek a writ of mandamus from an appropriate court requiring the Board of Supervisors to levy and collect taxes as described above. The mandamus remedy, however, may be impracticable and difficult to enforce. Furthermore, the right to levy and collect taxes and to enforce payment of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

Chapter 9 of the United States Bankruptcy Code (the "Bankruptcy Code") permits a municipality such as the County, if insolvent or otherwise unable to pay its debts as they become due, to file a voluntary petition for the adjustment of debts, provided that such municipality is "specifically authorized, in its capacity as a municipality or by name, to be a debtor...." Bankruptcy Code §109(c)(2). Current Virginia statutes do not expressly authorize the County or municipalities generally to file for bankruptcy under Chapter 9. Chapter 9 does not authorize the filing of involuntary petitions against municipalities such as the County.

Bankruptcy proceedings by the County could have adverse effects on bondholders including: (a) delay in the enforcement of their remedies, (b) subordination of their claims to claims of those supplying goods and services to the County after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings, and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretations.

SECTION THREE: THE COUNTY

INTRODUCTION

The County of Fauquier is located in the north-central Piedmont region of Virginia, approximately 40 miles southwest of Washington, D.C., and approximately 95 miles northwest of Richmond, Virginia. The County encompasses a land area of approximately 660 square miles. Adjacent to the County are the Counties of Prince William, Stafford, Spotsylvania, Orange, Culpeper, Warren, Frederick, Rappahannock, Clarke and Loudoun. Interstate Highway 66 runs east-west through the northern portion of the County. In addition, five U.S. primary routes and two state primary routes also transverse the County.

Because of its proximity to Washington, D.C., the County has experienced consistent population growth rates in the past five years. The County's population estimate in 2005 of 61,500 represents an increase of 13% since 2000. Despite population growth, the County remains primarily rural in nature. Approximately 85% of the land area within the County is comprised of farmlands and woodlands. Elevations range from 160 feet above sea level in the southern portion of the County to 2,388 feet in the northern section that includes part of the Blue Ridge Mountain chain.

The County seat is located in the Town of Warrenton in central Fauquier County. In addition to Warrenton, two other incorporated towns (Remington and The Plains) are located within the County.

GOVERNMENT

The County was formed as an independent County in 1759 and is organized under the traditional (modified) Board of Supervisors/County Administrator form of government as defined under Virginia law. The Board of Supervisors, which establishes policies for the administration of the County, is the governing body of the County. The residents of each of the County's five magisterial districts elect one member of the Board to serve a term of four years. The Chairman and Vice Chairman of the Board are selected annually by the members of the Board.

In addition to the elected Board of Supervisors, five constitutional officers are elected. These officers include the Sheriff, the Commonwealth's Attorney, the Clerk of the Circuit Court, the Treasurer and the Commissioner of the Revenue.

The Board appoints a County Administrator to serve as the administrative manager of the County. The County Administrator serves at the pleasure of the Board, implements its policies, directs business and administrative procedures, and manages the County workforce. The County Administrator is currently assisted by approximately 607 employees, organized in staff departments and offices including: Community Development, Economic Development, General Services, Information Technology, Finance, Budget, Human Resources, Emergency Services, Library, Environmental Services, Parks and Recreation, Social Services, and the staffs of the five constitutional officers.

The operation of public schools in the County is vested in a five-person School Board. The residents of each of the County's five magisterial districts elect one member of the Board to serve a term of four years. The Chairman and Vice Chairman of the Board are selected annually by the members.

The local share of the cost of operating public schools in the County is met with an appropriation by the Board from the County's General Fund. The School Board cannot levy taxes and can incur indebtedness only under limited circumstances. Operations of the School Board, however, are independent of the Board of Supervisors and the County administration as prescribed by Virginia law. A Superintendent is appointed by the School Board to administer the operations of the County's public schools.

In Virginia, cities and counties are not overlapping units of government. However, there are no incorporated cities within the boundaries of the County. There are three incorporated towns within the County: Warrenton, Remington and The Plains (the "Towns"). Although towns are separate units of government, the

ordinances and regulations of the County are, within certain limitations prescribed by State law, generally effective therein. Property in the Towns is subject to County taxation and the County provides certain services to the residents of the Towns. The Towns may incur their own general obligation bonded indebtedness without the approval of the County. Public school education for residents within the Towns is provided through the County.

Board of Supervisors

Raymond E. Graham, *Chairman*. Mr. Graham was first elected to the Board in 2000 and was re-elected in 2004. Currently the Chairman of the Board, he previously served as Chairman in 2001, 2002 and 2005 and as Vice Chairman in 2004. Mr. Graham received his undergraduate degree from The George Washington University in 1971 and is a former teacher in the County's public school system as well as Fairfax County public schools and Northern Virginia Community College. Mr. Graham retired from Fairfax County Community and Recreations Services as Deputy Director with 28 years of service.

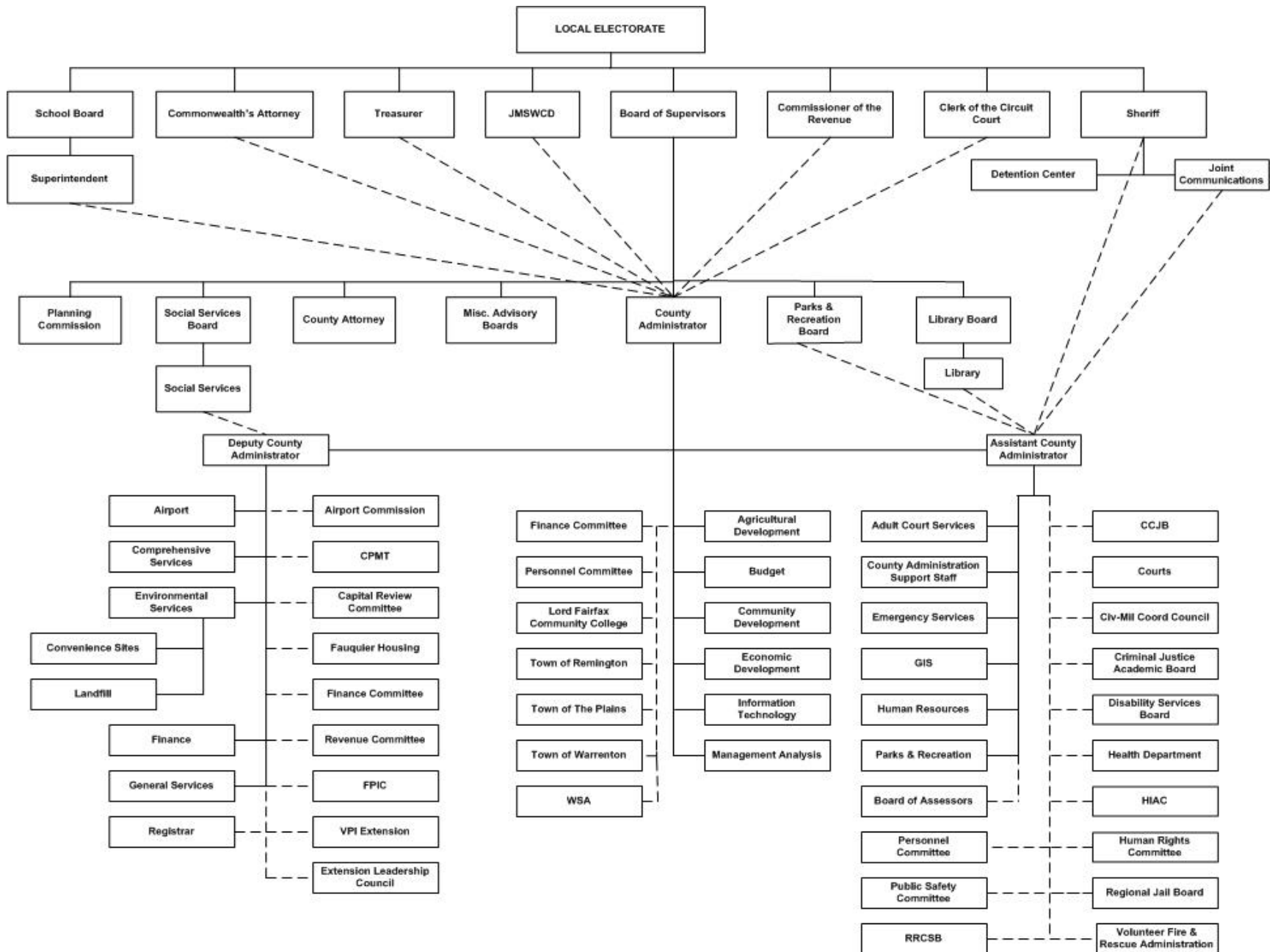
Harry Atherton, *Vice Chairman*. Mr. Atherton was first elected to the Board in 2000 and was re-elected in 2004. Currently the Vice Chairman of the Board, he previously served as Chairman in 2003 and 2004 and as Vice Chairman in 2005. Mr. Atherton received a Bachelor of Arts degree from Harvard University in 1967 and a Juris Doctorate degree from Catholic University in 1974. He has been a cattle farmer for 31 years. Mr. Atherton served on the Planning Commission for 19 years, with six years as chairman.

William G. Downey, IV. Mr. Downey was first elected to the Board in 2004. He received a Bachelor's degree in Construction Management from Syracuse University in 1984. Mr. Downey is a principal in Downey & Scott LLC, a construction management firm. He served one term on the Fauquier County School Board.

Richard W. Robison. Mr. Robison was first elected to the Board in 2004. He attended Northern Virginia Community College and George Mason University. Mr. Robison is a principal in the architectural firm of RWR Design Services. He has served on the Planning Commission, serving as its chairman for four years, the Fauquier County Architectural Review Board from 1999 to 2006 and the Town of Warrenton Architectural Review Board from 1994 to 2002.

Chester W. Stribling. Mr. Stribling was first elected to the Board in 2004. He is 1974 graduate of Fauquier High School and a 1976 graduate of Germanna Community College. Mr. Stribling is a principal in Stribling's Garage, an automobile repair business. He is currently vice chairman of the Rappahannock-Rapidan Regional Commission Board.

Organizational Chart



Certain Administrative Staff Members

Paul S. McCulla, *County Administrator*. Mr. McCulla began serving as County Administrator in January 2005, after having served as Interim County Administrator for two months. He also served as County Attorney for 14 years and Interim County Attorney and Deputy County Attorney for approximately two years. Prior to coming to Fauquier County, Mr. McCulla held the position of Associate at the Law Office of James P. Downey for over two years. He received a Bachelor of Arts degree from The College of William and Mary and a Juris Doctor degree from the Marshall-Wythe School of Law, The College of William and Mary.

Dr. J. David Martin, *Superintendent*. Dr. Martin has been the Division Superintendent since October 2001. He previously served as the Superintendent for Williamsburg-James City County, Henry County and the City of Manassas Park; and Assistant Superintendent, Director of Administrative Services and Director of Pupil Personnel Services for Clarke County. Prior to that he was a special education teacher at Handley High School in Winchester, Virginia. Dr. Martin received a Bachelor of Science degree from James Madison University, a Master of Science degree in Rehabilitation Counseling from West Virginia University and a Doctorate in Education Administration degree from Virginia Polytechnic Institute and State University.

Anthony I. Hooper, *Deputy County Administrator*. Mr. Hooper was appointed Deputy County Administrator in 2003 after having served as Assistant County Administrator since August 2000. Prior to his employment with the County, Mr. Hooper was Town Manager for the Town of Culpeper, Virginia; a private consultant; City Manager for the City of Fredericksburg, Virginia; City Manager for New Bern, North Carolina; and Assistant City Manager and Finance Director for Chapel Hill, North Carolina. Mr. Hooper received a Bachelor of Arts degree from Notre Dame University and a Master's degree in Public Administration from the Maxwell School at Syracuse University.

Catherine M. Heritage, *Assistant County Administrator*. Ms. Heritage has been employed by the Fauquier County Government since 1996, acting first as a probation officer, later a senior officer and then Director of Court Services. In 2003, she was appointed to the position of Assistant County Administrator, with supervision over criminal justice and public safety services. She is a former president of the Virginia Criminal Justice Association and current chair of Fauquier's Criminal Justice Board. She received her Bachelor of Arts degree in English from George Mason University in 1985, and a Juris Doctor degree from George Mason University School of Law in 1990. She is a licensed attorney and member of the Virginia State Bar.

Kevin J. Burke, *County Attorney*. Mr. Burke was appointed County Attorney on August 1, 2005. He served as Deputy County Attorney from August 1991 until December 2004 when he was appointed Acting County Attorney. Prior to his coming to the County, he was engaged in private practice as an attorney at Hazel & Thomas and Costello, Dickinson, Johnston, Greenlee, Coleman and McGloughlin in the City of Winchester. He received a Bachelor of Arts degree from the University of Virginia and a Juris Doctor degree from the Marshall-Wythe School of Law, College of William and Mary.

Vivian A. McGettigan, *Director of Finance*. Ms. McGettigan was appointed Director of Finance in August 2005. Prior to her employment with the County, Ms. McGettigan was Accounting Division Manager in Prince William County, Virginia; Accounting Division Manager, Finance Manager and Senior Accountant for The Maryland-National Capital Park and Planning Commission; and Senior Auditor at Arthur Andersen, LLP. She received a Bachelor of Accountancy and a Masters degree in Business Administration, Accountancy from The George Washington University. Ms. McGettigan is a Certified Public Accountant, a Certified Public Finance Officer, a member of the Government Finance Officers' Association Special Review Committee and a member of the Board of Directors of the Virginia Local Government Finance Officers Association.

GOVERNMENTAL SERVICES

The County provides a range of government services consistent with those provided by similar Virginia localities. Major programs include public safety, health and welfare, parks and recreation, education, community development, and the general government services, comprised of functions such as personnel, finance, general

services and management information. Total County employment, exclusive of public school personnel, is approximately 607 employees.

Public Schools

The County public school system is directed by a five-person School Board. The School Board functions independently of the Board of Supervisors. The Superintendent of Schools prepares and submits the public education budget estimates to the School Board. The School Board then submits a budget to the Board of Supervisors by April 1 for the next fiscal year. The School Board cannot levy taxes and can incur indebtedness only under limited circumstances. The costs of the school system are provided by appropriations from the General Fund of the County (see the subsection "Expenditures and Transfers" within the section "General Fund Revenues, Expenditures and Transfers" on page 18) and from funds received from the Commonwealth and the Federal government.

The following is a summary of certain school statistics and data on existing public schools:

Summary of Enrollment and School Employee Statistics

	<u>2000-01</u>	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>
Pre-Kindergarten	35	49	52	63	69
Kindergarten	648	633	770	757	830
Elementary (Grades 1-5)	3,702	3,655	3,656	3,757	3,900
Middle (Grades 6-8)	2,325	2,376	2,491	2,537	2,543
Secondary (Grades 9-12)	<u>2,913</u>	<u>2,952</u>	<u>3,085</u>	<u>3,180</u>	<u>3,375</u>
Total Enrollment	9,623	9,665	10,054	10,294	10,717
Special Education	1,770	1,712	1,711	1,762	1,793
Total Schools Employees	not available	1,527	1,554	1,605	1,671

Source: Superintendent of Schools, Fauquier County.
As of September 30 of each school year.

Data on Existing Public Schools

<u>School</u>	<u>Site Size</u>	<u>Building Size (Sq. Feet)</u>	<u>Original Construction Date</u>	<u>Date of Additions</u>	<u>Institutional Capacity</u>	<u>2004-05 Enrollment</u> ⁽³⁾
<u>Elementary (K-5)</u>						
C. Hunter Ritchie	29.0	63,450	1990	-	583	572
C. M. Bradley	21.3	63,450	1970	1990	580	469
Northwestern/Thompson	12.2	35,000	1963	2006	311	209
Grace Miller	23.0	63,450	1990		583	533
H. M. Pearson	23.0	63,450	1968	1990	520	427
J. G. Brumfield	10.2	74,791	2000		666	658
M. M. Pierce	17.4	72,430	1932	1981,1998	576	532
Mary Walter	30.7	63,450	1980	1990	567	450
P. B. Smith	26.3	63,450	1968	1990	564	552
W. G. Coleman	21.8	62,301	1968	1998	545	397

Middle (6-8)

Auburn	35.0	114,000	2004		600	470
Cedar Lee	31.6	91,500	1973	1999, 2006	765	676
Marshall	37.9	102,880	1973	1989, 2002	658	560
Taylor	12.0	90,750	1952	1981	584	440
Warrenton	18.5	94,735	1936	1981	576	397

Secondary (9-12)

Fauquier	76.0	289,995	1963	1973, 1981, 1989, 1998	1,500	1,721
Liberty	77.0	234,000	1994	2006	1,500	<u>1,654</u>

Total Enrollment**10,717**

Source: Superintendent of Schools, Fauquier County.

⁽³⁾As of September 30, 2005.**Courts and Correctional Facilities**

The Judicial System includes a Circuit Court, General District Court, the 20th District Court and a Juvenile and Domestic Relations Court. The Commonwealth's Attorney, Magistrates, Sheriff's Office and Clerk of the Circuit Court provide related services. The County maintains an adult detention center with a capacity of 91 prisoners.

In 1987, Clarke and Frederick Counties and the City of Winchester entered into an agreement to establish a regional jail board and operate a regional jail facility. In 1998, Fauquier County became a member of the regional jail board. In May 2005, the participating jurisdictions of the regional jail board formed the Northwestern Regional Jail Authority (the "Jail Authority"). The Jail Authority consists of three members each from Clarke County and Fauquier County, and four members each from Frederick County and the City of Winchester. Each jurisdiction appoints the Sheriff from its jurisdiction to serve on the board of the Jail Authority. The other board positions are appointed by the governing bodies of the jurisdictions. The terms are for four years, except for those of the Sheriffs, which run concurrently with their terms in office. Frederick County serves as the facility's fiscal agent. In June 2005, the Jail Authority issued its \$26,560,000 jail facilities revenue bonds and notes to improve and expand the existing regional jail. See the section "Capital Leases and Contingent Liabilities" for a description of the County's obligations with respect to the Jail Authority.

Public Safety

The County Sheriff's Department is responsible for all law enforcement, crime prevention, court services, and County jail operations. The department employs a total of 124 persons and is staffed by 107 uniformed officers and 20 dispatchers in a Joint Communications facility which supports the office.

Fire, rescue and emergency services are provided through 13 volunteer fire companies, rescue squads or combined fire and rescue companies. The County Department of Fire Emergency Services provides coverage, primarily during the day, to supplement the volunteer coverage as well as emergency management and fire marshal services. The department is staffed by a Fire Chief and 33 full-time positions.

Community Development

The Department of Community Development serves as staff to the County Board of Supervisors, the Planning Commission, the Board of Zoning Appeals and the public with respect to land use planning and development. Major functions include comprehensive planning, zoning, subdivision, site plans, building permitting, inspections and code and ordinance enforcement. The Department consists of four functional divisions -- Planning, Zoning, Inspections and Permitting, as well as the County Engineer and Soil Scientist. The Department is staffed by 47 full time employees.

The Planning Division is responsible for the development, administration and enforcement of the Subdivision Ordinance and the Comprehensive Plan. The office processes and reviews applications for rezonings, special exceptions, all subdivision categories and construction plans. The division is also responsible for preparing special studies (associated, for example, with the environmental, demographic, impact fee and transportation topics) and maintaining and updating the Comprehensive Plan, as needed. This office provides technical assistance and support to the Board of Supervisors, Planning Commission, Architectural Review Board, Transportation Committee, Affordable Housing Committee and similar citizen planning committees.

The Planning Commission is a five-member advisory board to the Board of Supervisors. The Planning Commission approves preliminary subdivision applications and makes recommendations to the Board of Supervisors for special exceptions, rezoning, amendments to the Comprehensive Plan, waiver requests, subdivision and zoning ordinances, the Capital Improvement Program and other related land development issues.

The Zoning, Inspections and Permitting Division enforces the zoning ordinance and the Uniform Statewide Building Code. The following summarizes the zoning and building functions:

Zoning Functions. The office processes special permits, proffer and zoning amendments, and amendments to the Zoning Ordinance, as well as enforces the zoning regulations relating to land use, and occupancy of land and structures. Duties include issuing zoning permits, enforcing the Zoning Ordinance, providing technical and consultative assistance and staff support to the Board of Zoning Appeals and making interpretations as to the applicability of requirements. This division also provides staff processing and support for the County's Agriculture and Forestall District program.

Zoning Appeals. The seven-member Board of Zoning Appeals ("BZA") is a quasi-judicial body established under state law. Its purpose is to hear and decide appeals from decisions of the Zoning Administrator and to hear and decide special permit and variance requests. The BZA also hears and decides applications for interpretation of the Zoning Map where there is an uncertainty.

Building Functions. This division reviews and examines building construction plans for compliance with building, electrical, plumbing and mechanical elements of the Uniform Statewide Building Code. It also issues building permits, orders correction of all violations and variations from codes or approved plans, prepares daily reports and records of inspection activities, explains and interprets Code provisions to contractors, architects, engineers and the general public, approves or revokes certificates of occupancy, issues stop work notices and institutes legal proceedings where required.

The County Engineer is responsible for providing review and recommendations on a variety of land development applications and approval of plans for construction, stormwater/BMP management, erosion and sediment control, project bonding, providing advice on construction associated problems, management of engineering projects, and management of the County's erosion and sediment control program. The County Engineer also provides the Board of Supervisors with advice and special engineering studies upon request.

The County Soil Scientist is responsible for providing review and recommendations on all land development applications, updating and maintaining the County's soil survey, responding to resident questions regarding to soil carrying capacities, providing Type I soil studies on request for property owners and the land development and the farm community, and to assist in special projects regarding soils, subdivision and wastewater treatment/drainfield applications.

Economic Development

The Economic Development function is handled by the Department of Economic Development. The objective is to improve the County's economic base by promoting industrial and commercial development as well as tourism while maintaining a high quality of life.

Functions of the department include assisting industrial prospects in site selection, coordination of an Industrial Development Authority, preparation of marketing materials, providing technical support to industrial and commercial prospects, and designing, implementing and monitoring programs to promote expansion.

Human Resources

The Department of Human Resources is responsible for managing and administering the full range of human resource functions. In so doing, the Department staffs the Board of Supervisors and the School Board, the Boards' respective Personnel Committees and advises County employees with respect to human resource management.

Major functions include position management and position classification, employee-management relations, staffing and recruitment, training and development, benefits and administration, records management, teacher certification and risk management. The Department enforces Federally mandated laws regarding Occupational Safety, the Fair Labor Standards Act, Equal Opportunity, Sexual Harassment and the Americans with Disabilities Act.

Finance

The Finance Department provides financial and administrative support services. The primary functions of the department include financial reporting, debt management, accounting, accounts payable and receivable, payroll processing, fixed asset reporting and procurement.

Budget

The Budget Office provides budget support, information, control and guidance to the Board of Supervisors through the County Administration. The department manages the development and execution of all phases of the County's Operating Budget and oversees all capital project appropriations and expenditures.

Information Technology

The Department of Information Technology provides a variety of computer services to County government and the Fauquier County school administration.

Services include software analysis and development, software maintenance, production processing of applications according to schedule, technical support of all applications, office software support and training, troubleshooting of software and equipment, data communications analysis and support, and installation of personal computers, computer terminals, office printers, and data communications equipment.

General Services

The purpose of the General Services Department is to manage and administer the engineering and maintenance of existing facilities and grounds, installing and maintaining security systems, telecommunications, and transportation fleet maintenance for the General Government and School Division.

The department has a staff of 72 and is responsible for preparing specifications, bid proposals, request for proposals, contract awards, and contract inspections for maintenance, service, and construction of public property.

Human Services

Human Services are provided by the Department of Social Services which is staffed by a full-time equivalent of 47 individuals. The proportion of County funding has steadily increased in this area of service since

1981, reflecting the recent rapid population growth in the County. The department provides various benefit programs including aid to dependent children, the elderly and disabled programs, disaster assistance, health programs and emergency assistance to needy families, food stamps, Medicaid and general relief.

The department also provides service programs to County citizens including employment and day care services, adoption services, child and adult protective services, foster care, and adult services. Foster care is the most expensive program with child protective services and day care being the fastest growing. The department also supervises services to homeless families.

Parks and Recreation

The Department of Parks and Recreation plans, develops and operates recreational facilities and activities based on the needs and interests of County residents.

Facilities include the 100-acre C. M. Crockett Park on 109-acre Germantown Lake where fishing, boating, sailing, canoeing, picnicking and other recreational services are available, Upperville Park (5 acres), John Marshall Birthplace Park (4 acres), Vint Hill Park (11 acres), Marshall Community Center (21 acres), Monroe Park (15 acres), Vint Hill Village Green (30 acres) and Warrenton Branch Greenway (1½ mile multipurpose trail). Other sites under construction and soon to be added are Northern Fauquier Sports Complex (88.7 acres) and Central Fauquier Sports Complex (70.0 acres). Lake Brittle is also being managed by the department. The Town of Warrenton owns and operates Eva Walker Park (5 acres). The Town also owns Rady Park (9 acres) and Academy Hill Park (5 acres), both of which are managed and maintained by the department. In addition, the department is responsible for the 30 ball fields, 8 tennis courts, and 15 multiuse courts located at 13 school sites. The department conducts a variety of programs and activities to include preschool programs, youth programs, family and seniors programs, adult and youth team sports, group trips, classes, clinics and special events. The department is staffed by 34 permanent employees and approximately 40 seasonal employees.

Regional and Community Support

The County offers financial support to outside agencies which provide a range of public services to County residents. The County's participation in these agencies on a regional scale results in increased proficiency in the delivery of these services. Financial support is provided to a variety of organizations and agencies including the Planning District Commission, Community Action Program, Family Shelter, Legal Services, Community College, 4-H Center, SPCA, handicapped workshops and the Occoquan Non-Point Pollution Program to support citizen needs.

Public Utilities

The County currently does not provide any public water or sewer services. Utilities in the County are provided by private utility companies under the regulation of the State Corporation Commission and by the Fauquier County Water and Sanitation Authority, an independent political subdivision whose members are appointed by the Board of Supervisors. This five-member board, assisted by a staff of approximately 38 employees, provides water and sewer services to selected locations throughout the County.

In addition, the Town of Warrenton provides water and sewer services within the geographical limits of the Town. The Town Council, assisted by the Town Manager, is the decision-making body.

A County-owned and operated landfill was opened in January 1994 at a 100-acre site outside the Town of Warrenton. In addition, the County operates six convenience sites throughout the County where County residents may take their solid waste for disposal and recycling. The operations of the landfill are accounted for in an enterprise fund. The County's direct cost for solid waste disposal as well as the cost of operations of the convenience sites is paid out of the General Fund. Landfill enterprise fund revenues in fiscal year 2006 were earned from tipping fees on 76,411 municipal solid waste ("MSW") tons at \$30 per ton for County waste and \$38 per ton for commercial waste. Tipping fees increased to \$45 per ton for all MSW (County and commercial) as of July 1,

2006. MSW tonnage is derived from the County (36%), the Towns of Warrenton, The Plains and Remington (5%) and commercial sources (59%). In addition to the MSW waste stream, the landfill received 93,081 tons of construction and demolition waste. Fees for construction and demolition waste were \$45 per ton (which increased to \$46 per ton as of August 1, 2006).

CERTAIN FINANCIAL PROCEDURES

Annual Financial Report

The financial statements of the County have been examined and reported on by independent certified public accountants since the fiscal year ended June 30, 1970. The audit for the fiscal year ended June 30, 2005, was performed by Robinson, Farmer, Cox Associates, Certified Public Accountants. The County has been awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association for the past eight years.

The annual financial reports and budgets of the County are available for inspection at the Office of the Director of Finance, County of Fauquier, 320 Hospital Drive Street, Suite 24, Warrenton, Virginia 20186.

Description of Funds

The annual audited financial statements of the County include the funds administered by the Board of Supervisors and the County School Board. The accounts of the County are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The transactions in each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance or net assets, revenues and expenditures. The County's accounting policies conform to generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board. For a description of the funds and account groups included in the County's annual basic financial statements, see Note 1 to the Basic Financial Statements included in this Official Statement as Appendix A.

Budgetary Procedures

Virginia law requires the County to maintain a balanced budget in each fiscal year. The County lacks legal authority to borrow in anticipation of future fiscal year's revenues, except by the issuance of bonds or bond anticipation notes.

The following procedures are used by the County in establishing the budgetary data reflected in the financial statements.

1. Prior to March 30, the County Administrator submits to the Board a proposed operating and capital budget for the fiscal year commencing the following July 1. The operating and capital budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. Prior to June 30, the budget is legally enacted through passage of an Appropriations Resolution.
4. The Appropriations Resolution places legal restrictions on expenditures at the department level. Expenditures may not exceed appropriations at the department level. Only the Board can revise the appropriation for each department; except, the Budget Office has inter-departmental approval authority up to \$6,000 and the County Administrator has approval of transfers not to exceed \$25,000. The Board has adopted a policy for processing changes to the adopted budget. The School Board is authorized to transfer budgeted amounts within the School system's categories.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and Capital Projects Fund. The School Funds are integrated only at the level of legal adoption. Budgets are legally adopted for these funds and the School Fund.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriations, but lapse on June 30, except for the Capital Projects Fund. Encumbrances outstanding at year end may be reappropriated by the Board. Appropriations for the Capital Projects Fund are rolled over to subsequent fiscal years with Board of Supervisors approval.

GENERAL FUND REVENUES, EXPENDITURES AND TRANSFERS

The General Fund is maintained by the County to account for revenue derived from County-wide ad valorem taxes, other local taxes, licenses, fees, permits, charges for services, certain revenue from Federal and state governments, and interest earned on invested cash balances of the General Fund and Capital Projects Funds. General Fund expenditures and transfers include the costs of general County government and contributions to the School General Fund to pay the local share of operating Fauquier County public schools. Contributions to Schools are shown as an education expense to the County.

Revenues

The following is a discussion of the General Fund revenue structure.

Property Taxes. An annual ad valorem tax is levied by the County on the assessed value of real and tangible personal property located within the County as of January 1 in the calendar year in which said tax is due. Real estate is assessed at 100% of its fair market value on a quadrennial basis. Real property taxes are due on June 5 and December 5 and personal property taxes are due on October 5 of the calendar year in which they are levied. The penalty for late payment is 10%, and interest on delinquent taxes and penalties currently accrues at a rate of 10% per annum. In cases of property on which delinquent taxes are not paid within three years, the County may sell the property at public auction to pay the amounts due or seek civil judgments immediately upon delinquency. There is no legal limit at the present time on the property tax rates which may be established by the County. In the fiscal year ended June 30, 2005, property taxes (including penalties and interest for late payment of prior years' taxes) represented approximately 62.17% of total General Fund revenues.

Other Local Taxes. Other local taxes include local sales and use taxes, consumer's utility taxes, public utility license tax, business, professional and occupation license tax, motor vehicle licenses, vehicle fuel sales tax, taxes on recordation of wills, cable TV franchise, bank stock and lodging. For the fiscal year ended June 30, 2005, other local taxes represent 13.26% of total General Fund revenue.

Fees, Licenses and Permits. The County requires that licenses or permits be obtained in order to perform certain activities in the County and that fees be paid for services provided by certain County departments, such as animal licenses, building and zoning permits and fees and land use application fees. For fiscal year ended June 30, 2005, these revenues represented approximately 1.91% of total General Fund revenues. These revenues include building permits, inspection fees and subdivision site plan fees.

Revenue from Use of Money and Property. The principal source of revenue from the use of money and property to the General Fund is interest on General Fund and Capital Projects Fund investments. These revenues represented approximately 1.21% of General Fund revenues for the fiscal year ended June 30, 2005.

Charges for Services. The principal sources of revenue to the General Fund from charges for services are County clerk fees, recreation fees, publication sales and various other services for which the County charges a fee. Revenues in this category represented 1.06% of General Fund revenues for the fiscal year ended June 30, 2005.

Intergovernmental and Miscellaneous Revenue. The County is reimbursed by the Commonwealth of Virginia for a portion of shared expenses including certain expenditures for Social Services, the Sheriff's Office, Courts, the Office of the Commonwealth's Attorney, and other constitutional officers. The County also receives a share of the net profits of the State Alcoholic Beverage Control Board's liquor sales and certain other state contributions. In addition, the General Fund accounts for the receipt of certain Federal grants. Intergovernmental revenue accounted for approximately 19.82% of General Fund revenues for the fiscal year ended June 30, 2005.

Expenditures and Transfers

The following is a discussion of the major classifications of General Fund expenditures and transfers.

Contributions to School Fund. Because the Schools are a separate component unit of the County, the County contributed funds from the General Fund to pay the County's share of the costs of operating public schools in the County, including \$44,366 for Community Colleges. The County's education expense represented approximately 54.91% of total disbursements from the General Fund in the fiscal year ended June 30, 2005, and for the Schools represented approximately 63% of total School Fund revenues. Because the County issues debt on behalf of the Schools, the County paid principal and interest in the amount of \$6,891,651 for school-related debt in fiscal year ended June 30, 2005 (representing 6.26% of total County expenditures, which totaled \$110,084,853). Other revenues credited directly to the School General Fund, the School Textbook Fund and the School Cafeteria Funds include revenue from the Federal government, the Commonwealth, and other revenue derived locally from sale of textbooks, school lunches, etc.

Costs of General County Government. The County pays from the General Fund the costs of general county government. These costs include expenditures for general government administration, judicial administration, public safety, public works, health and welfare, parks and recreation, cultural and community development and debt service. This classification represented approximately 7.31% of total General Fund disbursements in the fiscal year ended June 30, 2005.

Transfer to Capital Projects. The County transfers funds from the General Fund to the Capital Projects Funds to pay the cost of or contributes to the cost of various capital improvement projects. These costs include infrastructure improvements, acquisition of land and buildings, library additions and communications. This classification represented approximately 7.41% of total General Fund disbursements in the fiscal year ended June 30, 2005.

The following tables show General Fund revenues by sources and General Fund expenditures by function.

**General Fund Revenues by Source
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Property Taxes</u>	<u>Other Local Taxes</u>	<u>Permit Privilege Fees & Regulatory Licenses</u>	<u>Fines & Forfeitures</u>	<u>Revenues from the Use of Money & Property</u>	<u>Charges for Services</u>	<u>Gifts and Donations</u>	<u>Recovered Costs</u>	<u>Inter-Governmental</u>	<u>Miscellaneous</u>	<u>Total</u>
1996	\$49,650,697	\$ 7,042,677	\$ 492,519	\$121,389	\$1,707,000	\$ 351,075	\$ 0	\$155,276	\$6,223,685	\$ 87,282	\$ 65,831,600
1997	50,695,936	7,370,935	558,902	143,723	2,019,439	332,916	0	281,147	6,755,332	101,220	68,259,550
1998	70,370,423	7,870,604	564,316	171,262	2,574,956	2,028,327	0	171,303	7,073,760	148,461	90,973,412
1999	56,130,800	8,676,382	712,816	201,123	2,112,671	636,211	0	535,627	8,190,461	28,810	77,224,901
2000	55,307,832	9,376,224	739,401	259,781	2,294,315	423,316	0	850,926	11,319,979	50,612	80,622,386
2001	56,516,278	10,101,599	1,130,335	362,610	2,910,337	525,814	0	125,451	15,761,404	5,393	87,439,221
2002	59,998,492	10,602,236	1,169,124	432,297	1,511,210	689,485	0	137,878	20,397,282	130,225	95,068,229
2003	64,490,211	11,727,145	1,508,077	504,517	1,421,527	1,019,281	0	137,727	20,470,266	136,119	101,414,870
2004	67,861,085	13,171,286	1,598,890	504,771	1,001,428	1,330,222	0	139,610	22,025,730	109,226	107,742,248
2005	71,989,371	15,353,297	2,212,566	486,847	1,405,944	1,231,248	14,022	153,812	22,885,279	70,300	115,802,686

**General Fund Expenditures by Function
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>General Administration</u>	<u>Judicial Administration</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health and Welfare</u>	<u>Education⁽²⁾</u>	<u>Parks Recreation and Cultural</u>	<u>Community Development</u>	<u>Non-Departmental</u>	<u>Debt Service⁽¹⁾</u>	<u>Total</u>
1996	\$4,448,074	\$1,035,026	\$6,989,183	\$5,573,828	\$3,622,004	\$29,109,366	\$1,767,245	\$2,073,464	\$ 0	\$6,091,387	\$60,709,577
1997	8,690,351	1,356,114	6,380,620	5,690,852	4,551,422	31,851,643	1,956,800	2,352,150	23,595	5,755,858	68,609,405
1998	5,250,574	1,458,343	6,459,336	7,618,067	5,078,681	34,732,521	2,141,874	2,278,195	19,265	7,011,362	72,048,218
1999	5,247,525	1,523,758	6,569,808	3,581,874	4,748,294	34,630,559	2,280,290	2,704,620	278,019	7,646,523	69,211,270
2000	5,626,089	1,741,042	7,379,499	3,808,739	4,721,916	39,414,601	2,492,192	3,531,281	476,097	6,157,359	75,348,815
2001	6,364,379	1,925,457	7,643,919	3,988,544	4,934,176	40,401,500	2,640,291	2,651,404	187,107	6,288,144	77,024,921
2002	6,333,843	2,107,733	7,929,747	4,380,582	5,324,034	44,911,189	2,996,873	3,082,944	365,507	6,188,549	83,621,001
2003	6,625,921	2,186,402	8,437,521	4,397,446	5,787,402	51,019,617	3,096,652	3,280,733	523,408	7,253,882	92,608,984
2004	7,683,813	2,486,181	8,782,015	4,858,767	6,498,599	54,471,447	3,625,418	3,573,303	552,652	8,527,642	101,059,837
2005	8,737,640	2,457,593	9,507,717	5,381,669	7,201,697	60,498,819	3,814,426	4,084,144	579,410	7,821,738	110,084,853

Source: Fauquier County Comprehensive Annual Financial Report for Fiscal Year ended June 20, 2005.

⁽¹⁾ 1996-2002 have been restated to reflect the post-GASB 34 format which includes school-related debt service. Debt service related to schools was reflected in the transfer out line in the 2001-2006 CAFRs.

⁽²⁾ 1996-2002 have been restated to reflect the post-GASB 34 format which reflects the contribution to Schools as an education expenditure which was disclosed in the Operating Transfer Out line in the 1996-2001 CAFRs.

GENERAL FUND SUMMARY

The County has a history of stable financial operations. The General Fund's undesignated fund balance as a percent of General Fund revenues remains strong at 10.9% for the fiscal year ended June 30, 2005. The first table presents a comparative summary for fiscal years ended June 30, 2001 and 2002, and includes the County's revenues, expenditures and changes in fund balances accounted for in the County's General Fund. The second table presents a comparative summary for the fiscal years ended June 30, 2003, 2004 and 2005, under the new reporting format due to the prescribed changes in governmental accounting reporting standards. The summaries have been compiled from the financial statements of the County and should be read in conjunction with the related financial statements and footnotes thereto included in this Official Statement as Appendix A.

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General Fund Five-Year Comparative Statement of Revenues, Expenditures, and Changes in Fund Balances

	<u>2001</u>	<u>2002</u>
Revenues:		
General Property Taxes	\$56,516,278	\$59,998,492
Other Local Taxes	10,101,599	10,602,236
Permits, Fees & Licenses	1,130,335	1,169,124
Fines & Forfeitures	362,610	432,297
Charges for Services	525,814	689,485
Intergovernmental	15,761,404	20,397,282
Use of Money & Property	2,910,337	1,511,210
Recovered Costs & Miscellaneous	<u>130,844</u>	<u>268,103</u>
<i>Total Revenues</i>	<u>\$87,439,221</u>	<u>\$95,068,229</u>
Expenditures:		
Current General Government		
Administration	\$ 6,364,379	\$ 6,333,843
Judicial Administration	1,925,457	2,107,733
Public Safety	7,643,919	7,929,747
Public Works	3,988,544	4,380,582
Health & Welfare	4,934,176	5,324,034
Parks, Recreational & Cultural	2,640,291	2,996,873
Community Development	2,651,404	3,082,944
Education (Community College Only) ⁽¹⁾	42,423	39,912
Other - Nondepartmental	187,107	365,507
Debt Service ⁽¹⁾		
Principal Retirement - County ⁽¹⁾	335,273	352,074
Interest - County ⁽¹⁾	<u>131,073</u>	<u>114,272</u>
<i>Total Expenditures</i>	<u>\$30,844,046</u>	<u>\$33,027,521</u>
Revenues Over (Under) Expenditures	\$56,595,175	\$62,040,708
Other Finance Sources (Uses):		
Proceeds From Indebtedness		
Operating Transfers In	\$ 8,391	\$ 48,959
Operating Transfer Out	(7,207,361)	(6,658,507)
Operating Transfer Out - Schools Debt Service ⁽¹⁾	(5,821,798)	(5,722,203)
Operating Transfers Out - Schools ⁽¹⁾	<u>(40,359,077)</u>	<u>(44,871,277)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$(53,379,845)</u>	<u>\$(57,203,028)</u>
Revenues & Other Sources Over (Under)		
Expenditures & Other Uses	\$ 3,215,330	\$ 4,837,680
Fund Balance - Beginning of Year	<u>\$14,233,312</u>	<u>\$17,448,642</u>
Fund Balance - End of Year	<u>\$17,448,642</u>	<u>\$22,286,322</u>

Source: Fauquier County, Department of Finance.

⁽¹⁾ Prior to GASB 34 School Debt Service was presented as a transfer to Schools. Post-GASB 34, debt service that the County issued for Schools is included in the County's General Fund as a debt service expenditure. Prior to GASB 34, the County's contribution to Schools was presented as a transfer out. Post-GASB 34, the contribution to Schools is reflected as an education expenditure.

In June 1999, the Government Accounting Standards Board (GASB) issued Statement #34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, which established new financing reporting requirements ("GASB 34"). The County implemented GASB 34 for the fiscal year ended June 30, 2003. The GASB 34 reporting model changes significantly both the recording and presentation of certain financial data from prior years by - among other changes - replacing the Balance Sheet with the Statement of Net

Assets and replacing the Comparative Statement of Revenues, Expenses and Changes in Retained Earnings with the Statement of Revenues, Expenses and Changes in Net Assets. The most significant changes to the County's financial statements relate to the presentation of School debt service payments and the County's contribution to Schools.

Due to the significance of these changes, the County's financial statements for the fiscal years prior to the adoption of GASB 34 will not be comparable with the County's financial statements for the fiscal year ended June 30, 2003, 2004 and 2005. The information set forth below for the fiscal years ended June 30, 2003, 2004 and 2005, is derived from the audited financial statements of the County.

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues			
General Property Taxes	\$ 64,490,211	\$ 67,861,085	\$ 71,989,371
Other Local Taxes	11,727,145	13,171,286	15,353,297
Permits, Privilege Fees & Regulatory Licenses	1,508,077	1,598,890	2,212,566
Fines & Forfeitures	504,517	504,771	486,847
Revenue from Use of Money and Property	1,421,527	1,001,428	1,405,944
Charges for Services	1,019,281	1,330,222	1,231,248
Gifts and Donations	0	0	14,022
Miscellaneous	136,119	109,226	70,300
Recovered Costs	137,727	139,610	153,812
Intergovernmental:			
Commonwealth of Virginia	18,412,055	19,798,015	20,459,473
Federal Government	<u>2,058,211</u>	<u>2,227,715</u>	<u>2,425,806</u>
<i>Total Revenues</i>	<u>\$101,414,870</u>	<u>\$107,742,248</u>	<u>\$115,802,686</u>
Expenditures			
<i>Current Operating:</i>			
General Government Admin.	\$ 6,625,921	\$ 7,683,813	\$ 8,737,640
Judicial Administration	2,186,402	2,486,181	2,457,593
Public Safety	8,437,521	8,782,015	9,507,717
Public Works	4,397,446	4,858,767	5,381,669
Health and Welfare	5,787,402	6,498,599	7,201,697
Education ⁽¹⁾	51,019,617	54,471,447	60,498,819
Parks, Recreation and Cultural	3,096,652	3,625,418	3,814,426
Community Development	3,280,733	3,573,303	4,084,144
Non-departmental	523,408	552,652	579,410
<i>Debt Service:</i> ⁽¹⁾			
Principal Retirement	4,484,717	5,951,327	4,856,092
Interest & Fiscal Charges	<u>2,769,165</u>	<u>2,576,315</u>	<u>2,965,646</u>
<i>Total Expenditures</i>	<u>\$ 92,608,984</u>	<u>\$101,059,837</u>	<u>\$110,084,853</u>
Excess (deficiency) of revenues over expenses	\$ 8,805,886	\$ 6,682,411	\$ 5,717,833
<i>Other Financing Sources (Uses):</i>			
Transfers In	\$ 0	\$ 0	\$ 454,480
Transfers Out	<u>(8,399,708)</u>	<u>(6,820,535)</u>	<u>(9,525,551)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (8,399,708)</u>	<u>\$ (6,820,535)</u>	<u>\$ (9,071,071)</u>
Net Change in Fund Balances	\$ 406,178	\$ (138,124)	\$ (3,353,238)
Fund Balance, Beginning	<u>22,286,322</u>	<u>22,692,500</u>	<u>22,554,376</u>
Fund Balance, Ending	<u>\$ 22,692,500</u>	<u>\$ 22,554,376</u>	<u>\$ 19,201,138</u>

Source: Fauquier County Basic Financial Statements for Fiscal Years ended June 30, 2003, 2004 and 2005.

⁽¹⁾ Prior to GASB 34 School Debt Service was presented as a transfer to Schools. Post-GASB 34, debt service that the County issued for Schools is included in the County's General Fund as a debt service expenditure. Prior to GASB 34, the County's contribution to Schools was presented as a transfer out. Post-GASB 34, the contribution to Schools is reflected as an education expenditure.

General Fund Budget

In the County's fiscal year 2007 adopted budget, General Fund expenditures are approximately 15% greater than General Fund expenditures in the fiscal year 2006 adopted budget, which were approximately 10% greater than fiscal year 2005 actuals. Expenditure increases in the fiscal year 2007 adopted budget resulted primarily from additional staffing and operational support to the general government administration and the Departments of Public Works and Public Safety. The County has conservative financial policies, including strong budget-to-actual results, conservation fund balances and investment policies and moderate budget estimates for revenue performance.

Fiscal Years 2007 and 2006 Adopted Budgets and Fiscal Year 2005 Actuals General Fund

	<u>Adopted Budget FY 2007</u>	<u>Adopted Budget FY 2006</u>	<u>Actual FY 2005</u>
Revenues:			
General Property Taxes	\$ 97,011,162	\$ 76,305,625	\$ 71,989,371
Other Local Taxes	17,409,276	15,984,000	15,353,297
Permits, Privilege Fees & Regulatory Licenses	2,874,093	2,616,959	2,212,566
Fines and Forfeitures	508,480	508,350	486,847
Revenues from Use of Money & Property	1,806,364	1,074,325	1,405,944
Charges for Services	879,120	786,920	1,231,248
Miscellaneous	228,985	214,030	84,322
Recovered Costs	100,000	115,829	153,812
Intergovernmental:			
Commonwealth	21,718,027	22,051,334	20,459,473
Federal	<u>2,343,957</u>	<u>2,155,565</u>	<u>2,425,806</u>
<i>Total Revenue</i>	<u>\$144,879,464</u>	<u>\$121,812,937</u>	<u>\$115,802,686</u>
Expenditures:			
General Government	\$ 10,038,267	\$ 8,931,040	\$ 8,737,640
Judicial Administration	2,841,357	2,619,874	2,457,593
Public Safety	13,711,307	12,328,337	9,507,717
Public Works	6,381,193	5,406,289	5,381,669
Health & Welfare	8,691,702	7,812,480	7,201,697
Education	69,783,638	65,310,315	60,498,819
Recreation and Cultural	5,079,617	4,117,078	3,814,426
Community Development	4,396,341	4,313,135	4,084,144
Non-Departmental	7,977,941	2,209,942	579,410
Debt Service	<u>11,181,588</u>	<u>8,362,074</u>	<u>7,821,738</u>
<i>Total Expenditures</i>	<u>\$140,082,951</u>	<u>\$121,410,564</u>	<u>\$110,084,853</u>
Other Financing Sources (Uses):			
Operating Transfers In	\$ 0	\$ 0	\$ 454,480
Operating Transfers Out	<u>(4,796,513)</u>	<u>(402,373)</u>	<u>(9,525,551)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>\$ (4,796,513)</u>	<u>\$ (402,373)</u>	<u>\$ (9,071,071)</u>
 Excess (Deficiency) of Revenue & Other Sources Over Expenditures & Other Uses	 \$ 0	 \$ 0	 \$ (3,353,238)
 Fund Balances, Beginning Year, Restated	 <u>\$19,201,138</u>	 <u>\$19,201,138</u>	 <u>\$22,554,376</u>
Fund Balances at End of Year	<u>\$19,201,138</u>	<u>\$19,201,138</u>	<u>\$19,201,138</u>

Source: Fauquier County, Budget Office.

Operating Results for Fiscal Year 2006

As of the date of this Official Statement, the audit of the County's financial statements for the fiscal year ended June 30, 2006, has not been finalized. The County's actual revenues are expected to exceed budgeted revenues of \$121,812,937 by \$1,181,000 (.9%). Expenditure savings are expected to be approximately \$2,220,000 (1.8%). The 2006 fiscal year budget included use of fund balance to cash fund capital improvement projects of \$5,354,423. The total fund balance for June 30, 2006, is estimated to be \$19,720,000.

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ECONOMIC AND DEMOGRAPHIC FACTORS

Population

The County has experienced sustained growth in population since 1990, as did most jurisdictions surrounding the Washington, D. C. metropolitan area. Since 1990, the County's estimated population has increased by 26%. Selected population statistics are shown below.

<u>Year</u>	<u>Population</u>
1960	24,066
1970	26,375
1980	35,889
1990	48,741
2000	54,600
2001	55,139
2002	56,300
2003	57,400
2004	60,400
2005	61,500

Source: 1960, 1970 and 1980 figures from the U.S. Census Bureau; 1990 and 2000 through 2005 figures from Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005.

The following table reflects the population age distribution of Fauquier County residents as of July 1, 2005.

<u>Age Group</u>	<u>Number</u>	<u>Percent</u>
Under 5	3,746	6.12%
5-9	4,750	7.76
10-14	4,949	8.09
15-17	3,131	5.12
18-19	1,539	2.51
20-24	2,795	4.57
25-29	2,364	3.86
30-34	3,284	5.37
35-39	4,285	7.00
40-44	5,827	9.52
45-49	5,863	9.58
50-54	4,912	8.03
55-59	4,631	7.57
60-64	3,428	5.60
65-69	2,480	4.05
70-74	1,855	3.03
75-79	<u>1,362</u>	<u>2.23</u>
Total	61,201	100.00%

Source: Weldon Cooper Center for Public Service, University of Virginia, July 31, 2006.

Commerce, Industry and Employment

The County's economy is closely related to the entire Washington Metropolitan Statistical Area. As such, many County residents who are included in its civilian labor force are employed outside of the County's boundaries.

Recent data from the Virginia Employment Commission indicates a County civilian labor force of 35,598 in calendar year 2005, of which 34,734 were employed, resulting in an unemployment rate of only 2.4%. The table below provides comparative average annual unemployment rates for the County, the Commonwealth of Virginia and the United States.

<u>Calendar Year</u>	<u>Fauquier County</u>	<u>Commonwealth of Virginia</u>	<u>United States</u>
1996	2.8%	4.3%	5.4%
1997	2.3	3.7	4.9
1998	1.7	2.8	4.5
1999	1.4	2.7	4.2
2000	1.5	2.3	4.0
2001	2.1	3.2	4.7
2002	3.0	4.2	5.8
2003	3.0	4.1	6.0
2004	2.6	3.7	5.5
2005	2.4	3.5	5.1

Source: Virginia Employment Commission.

Income

By a variety of measures, personal income of County residents exceeds state averages and is comparable to nearby Virginia localities. Certain estimates of per capita income for the most recently available year in the County and the Commonwealth of Virginia are presented below:

The following tables provide comparative per capita income and median household income figures for the County, the Commonwealth of Virginia and the United States for selected years:

Per Capita Income

<u>Year</u>	<u>Fauquier County</u>	<u>Commonwealth of Virginia</u>	<u>United States</u>
1998	\$35,092	\$27,780	\$26,883
1999	35,892	29,226	27,939
2000	38,947	31,087	29,845
2001	40,548	32,505	30,574
2002	40,474	33,013	30,810
2003	40,962	34,014	31,484
2004	43,556	36,160	33,050

Sources: Bureau of Economic Analysis. Latest available information.

Median Household Income

<u>Year</u>	<u>Fauquier County</u>	<u>Commonwealth of Virginia</u>	<u>United States</u>
2001	\$64,599	\$48,130	\$42,228
2002	66,517	48,224	42,409
2003	67,990	50,028	43,318

Sources: U.S. Census Bureau. Latest available information.

Transportation

The County is served by Interstate Highway 66 connecting the County to Washington, D.C. to the east. Primary highways in the County include U.S. Routes 29, 15 and 50 and State Route 28 which link the County to the D.C. areas and points south and west while U.S. Route 17 runs through the County north-south. Air transportation service is provided at Dulles International Airport (30 miles) and Ronald Reagan Washington National Airport (38 miles). The Warrenton-Fauquier Airport provides general aviation facilities including a newly-renovated runway of 5,100 feet. Rail freight access is provided in the Warrenton and Marshall areas by Norfolk-Southern. Amtrak passenger stations are located directly south of the County line in the City of Fredericksburg; east in the City of Manassas and west in the Town of Culpeper, Virginia Railway Express commuter rail stations are located in the adjoining Cities of Fredericksburg and Manassas and in Prince William County.

Major Employers

The major private employers located within County are presented below.

Major Private Employers (as of December 31, 2005)

<u>Employer</u>	<u>Type of Business</u>	<u>Total Number of Employees</u>
Fauquier Hospital	Healthcare	500 to 999
Wal Mart	Discount retail	250 to 499
General Excavation	Construction and excavation	100 to 249
Kips Erosion Control LC	Erosion control	100 to 249
Airlie Foundation	Conference center/farm	100 to 249
Giant Food	Grocery store	100 to 249
Food Lion	Grocery store	100 to 249

Major public employers within the County include the following:

<u>Employer</u>	<u>Total Number of Employees</u>
Fauquier Public Schools	1,000 and over
Fauquier County	500 to 999
Federal Government	250 to 499
Town of Warrenton	100 to 249

Taxable Retail Sales

The following table presents the taxable retail sales and retail sales per capita for the four recent calendar years listed below.

Taxable Retail Sales

<u>Calendar Year</u>	<u>Population</u>	<u>Taxable Retail Sales</u>	<u>Per Capita</u>
2001	55,139	\$465,648,713	\$8,445.00
2002	56,300	493,295,154	8,761.90
2003	57,400	533,615,314	9,296.43
2004	60,400	595,055,117	9,851.91

Sources: Commonwealth of Virginia, Department of Taxation. Population figures from the Fauquier County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005. Latest information available.

Construction Activity

Selected data are presented below to illustrate construction activity in the County over the last ten fiscal years.

Construction Information Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Commercial</u>		<u>Residential</u>	
	<u>Number</u>	<u>Value</u>	<u>Number</u>	<u>Value</u>
1996	75	\$ 6,230,196	926	\$ 46,485,601
1997	83	7,274,205	900	54,648,607
1998	88	2,981,452	1,053	74,999,145
1999	115	23,668,418	1,186	81,599,656
2000	99	3,648,699	1,215	91,718,862
2001	114	26,461,134	1,477	125,529,360
2002	174	10,327,885	1,594	114,087,743
2003	285	20,240,935	1,668	116,630,694
2004	145	12,573,994	1,865	125,300,387
2005	155	22,429,637	2,017	156,011,011

Source: Fauquier County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005.

Housing

The following data is presented to illustrate the types of residential housing available in the County. As shown below, single family housing units are the dominant housing type. The U.S. Census Bureau estimated that, based on the most current census information available dating back to July 1, 2003, there were 22,998 housing units of all types in the County. However, a breakdown by unit type is not available.

Housing Units Per Structure

	<u>2000</u>	
	<u>Number of Units</u>	<u>Percent of Total</u>
One Unit	19,156	91.0%
2-4 Units	660	3.1
5 or More Units	751	3.6
Mobile Homes	<u>479</u>	<u>2.3</u>
	21,046	100.0%

Sources: Figures from the 2000 Virginia Housing Atlas Profile, Center for Housing Research, Virginia Polytechnic Institute and State University.

TAX BASE DATA

The following data illustrates the trends and characteristics of the value of taxable property, property tax rates, tax collection experience, and the largest taxpayers.

Assessed Value of All Taxable Property⁽¹⁾
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Airplane</u>	<u>Mobile Homes</u>	<u>Machinery and Tools</u>	<u>Public Service</u>	<u>Handicapped Equipment</u>	<u>Campers, Trailers & Boats</u>	<u>Fire & Rescue</u>	<u>Total</u>
1996	\$3,379,288,221	\$265,044,520	\$2,367,444	\$4,812,375	\$ 6,157,665	\$168,080,556	-	-	-	\$3,825,750,781
1997	3,428,662,770	311,006,694	2,388,816	4,812,419	5,042,614	159,429,091	\$514,500	\$2,417,631	-	3,914,274,535
1998	3,580,410,049	318,172,142	2,820,795	4,747,942	6,833,515	161,304,562	661,840	3,304,376	\$1,215,464	4,079,470,685
1999	3,667,585,036	335,750,838	3,183,817	3,938,111	7,417,720	182,512,529	861,420	3,702,994	1,401,108	4,206,353,573
2000	3,763,470,235	371,110,903	3,306,095	4,612,434	7,292,514	181,193,023	623,700	4,196,246	1,718,120	4,337,523,270
2001	3,959,582,800	420,854,436	4,760,347	5,014,093	7,743,026	224,191,709	566,080	5,360,009	1,830,104	4,629,902,604
2002 ⁽²⁾	4,485,272,800	468,636,375	5,877,252	5,990,508	8,912,009	340,899,267	535,240	6,161,496	1,566,124	5,323,851,071
2003	5,186,039,325	502,499,964	6,719,905	4,594,993	8,259,686	339,251,808	599,060	10,235,919	1,850,816	6,060,051,476
2004	5,408,612,900	550,408,045	6,488,837	5,181,476	8,518,498	304,158,721	610,300	13,935,116	2,347,976	6,300,261,869
2005	5,644,031,325	572,850,102	6,565,337	5,825,791	11,199,097	362,631,919	508,540	15,869,542	2,300,576	6,621,782,229

Source: Fauquier County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005.

⁽¹⁾ Assessed value approximates market or actual value.

⁽²⁾ Real property is assessed every four years. New assessments were effective January 1, 2002.

Property Tax Levies and Collections
Last Ten Fiscal Years

<u>Fiscal Year Ended June 30</u>	<u>Total Tax Levy⁽¹⁾</u>	<u>Current Tax Collections⁽¹⁾</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections⁽¹⁾⁽²⁾</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes⁽¹⁾</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1996	\$47,580,344	\$45,105,097	94.80%	\$1,461,059	\$46,566,156	97.87%	\$2,927,028	6.15%
1997	51,745,756	49,475,390	95.61	1,616,170	51,091,560	98.74	2,205,998 ⁽³⁾	4.26
1998	72,647,034	69,456,067	95.61	1,666,145	71,122,212	97.90	3,330,854 ⁽³⁾	4.58
1999	56,612,254	55,294,787	97.67	1,812,388	57,107,175	100.87	3,130,424	5.53
2000	61,185,988	60,527,627	98.92	1,696,797	62,224,424	101.70	3,353,139	5.48
2001	63,854,161	62,009,789	97.11	2,050,333	64,060,122	100.32	3,292,855	5.16
2002	72,191,444	70,762,226	98.02	1,912,108	72,674,334	100.67	2,826,967	3.92
2003	79,480,945	77,320,736	97.28	1,496,126	78,816,862	99.16	2,763,826	3.48
2004	82,886,242	81,216,837	97.99	1,921,223	83,138,060	100.30	2,669,412	3.22
2005	87,592,939	85,659,133	97.79	2,023,997	87,683,130	100.10	2,625,318	3.00

Source: Fauquier County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005.

⁽¹⁾ Exclusive of penalties and interest.

⁽²⁾ Does not include land redemptions.

⁽³⁾ Includes one-time windfall real estate revenue. Includes General Fund and Special Revenue Fund.

**Property Tax Rates
Last Ten Fiscal Years**

(rates per \$100 assessed value)

<u>Fiscal Year Ended June 30</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Airplanes</u>	<u>Machinery & Tools</u>	<u>Handicapped Equipment</u>	<u>Campers Trailers Boats</u>	<u>Fire & Rescue</u>
1996	\$1.03 ⁽¹⁾	\$4.70	\$1.50	\$4.70	\$0.05	\$1.50	-
1997	1.03 ⁽²⁾	4.65	0.60	4.65	0.05	1.50	\$0.25
1998	1.06 ⁽³⁾	4.65	0.60	4.65	0.05	1.50	0.25
1999	1.06	4.65	0.60	4.65	0.05	1.50	0.25
2000	1.06	4.65	0.60	4.65	0.05	1.50	0.25
2001	1.06	4.65	0.60	4.65	0.05	1.50	0.25
2002	0.99 ⁽⁴⁾	4.65	0.60	4.65	0.05	1.50	0.25
2003	0.99	4.65	0.60	4.65	0.05	1.50	0.25 ⁽⁵⁾
2004	0.99	4.65	0.60	4.65	0.05	1.50	0.25
2005	0.99	4.65	0.60	4.65	0.05	1.50	0.25

Source: Fauquier County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005.

⁽¹⁾ Real estate tax rate includes \$0.04 for Fire and Rescue Special Revenue Fund and \$0.99 for the General Fund.

⁽²⁾ Real estate tax rate includes \$0.05 for Fire and Rescue Special Revenue Fund and \$0.98 for the General Fund.

⁽³⁾ Real estate tax rate includes \$0.06 for Fire and Rescue Special Revenue Fund and \$1.00 for the General Fund.

⁽⁴⁾ Real estate tax rate includes \$0.07 for Fire and Rescue Special Revenue Fund and \$0.92 for the General Fund.

⁽⁵⁾ Personal property tax rate for Fire and Rescue volunteers on 1 vehicle \$0.25.

**Overlapping Governments
Property Tax Rates
Last Ten Fiscal Years**

<u>Fiscal Year Ended June 30</u>	<u>Town of Warrenton</u>		<u>Town of Remington</u>		<u>Town of The Plains</u>	
	<u>Real Estate</u>	<u>Personal Property</u>	<u>Real Estate</u>	<u>Personal Property</u>	<u>Real Property</u>	<u>Personal Property</u>
1996	\$0.18	\$2.50	\$0.12	\$1.10	\$0.075	\$0.50
1997	0.18	2.40	0.12	1.10	0.075	0.50
1998	0.18	2.25	0.12	1.10	0.075	0.50
1999	0.17/0.14	2.25	0.12	1.10	0.075	0.50
2000	0.14	2.25	0.12	1.10	0.075	0.50
2001	0.12	2.25	0.14	1.10	0.075	0.50
2002	0.05	1.00	0.14	1.10	0.075	0.50
2003	0.03	1.00	0.14	1.10	0.075	0.50
2004	0.03	1.00	0.14	1.10	0.075	0.50
2005	0.03	1.00	0.14	1.10	0.075	0.50

Sources: Towns of Warrenton, Remington and The Plains.

**Ten Largest Taxpayers
June 30, 2005**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Value</u>	<u>% of Total Assessed Valuation</u>
Virginia Electric & Power Company	Utility	\$166,563,344	2.70%
Old Dominion Electric Co-op	Utility	82,485,188	1.34
Verizon - Virginia, Inc.	Utility	42,482,217	0.69
Oak Springs Farm LLC	Farm	17,125,100	0.28
Northern Virginia Electric Co-op	Utility	13,573,532	0.22
Warrenton Development Company	Shopping Center	10,099,500	0.16
Rappahannock Electric Co-op	Utility	9,922,361	0.16
Warrenton Village LLC	Shopping Center	9,445,000	0.15
Airlie Foundation	Conference Center/Farm	9,019,300	0.15
Wal-Mart Real Estate Business	Shopping Center	<u>8,991,800</u>	<u>0.15</u>
Total Assessed Value of Real Property of Ten Largest Taxpayers		\$369,707,342	6.00%

Source: Fauquier County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005.

DEBT ADMINISTRATION

Pursuant to the Constitution of Virginia and the Public Finance Act, a county in Virginia is authorized to issue general obligation bonds secured by a pledge of its full faith and credit. For the payment of such bonds the governing body of the county is required to levy, if necessary, an annual ad valorem tax on all property in the county subject to local taxation. Although the issuance of bonds by Virginia counties is not subject to statutory limitation, counties generally are prohibited from issuing general obligation bonds unless the issuance of such bonds has been approved by public referendum. This referendum requirement does not apply to bonds for capital projects for school purposes sold to the Literary Fund, the Virginia Public School Authority or any other State agency prescribed by law.

As of June 30, 2006, the County had the following long-term obligations outstanding:

General Obligation	\$55,565,000
Revenue Bonds	2,715,000
Capital Leases	<u>7,116,356</u>
Total	\$65,396,356

Other Authorized General Obligation Debt

There are no authorized and unissued general obligation bonds approved by referendum.

Underlying Debt

There are three incorporated towns within the County, the Towns of Warrenton, Remington and The Plains. As of June 30, 2005, these towns had no outstanding debt.

Capital Leases and Contingent Liabilities

The County leases a building pursuant to a long-term capital lease, subject to the annual appropriation of lease payments by the Board. On June 30, 2006, the principal balance of this capital lease obligation totaled \$1,246,356 with an annual lease payment for the fiscal year ending June 30, 2007, projected to be \$226,884. The County has also entered into a financing lease for the lease-purchase financing of an emergency radio communications systems. On June 30, 2006, the principal balance of this capital lease obligation totaled \$5,870,000 with an annual lease payment for the fiscal year ending June 30, 2007, projected to be \$702,264.

The chart below indicates the annual amount payable by the County under such capital leases.

<u>Capital Leases</u>			
<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 596,745	\$ 332,402	\$ 929,147
2008	620,169	309,573	929,742
2009	644,019	284,147	928,166
2010	678,316	251,390	929,706
2011	703,083	221,738	924,821
2012	738,344	190,352	928,696
2013	655,680	156,736	812,416
2014	575,000	126,180	701,180
2015	605,000	95,418	700,418
2016	635,000	63,050	698,050
2017	<u>665,000</u>	<u>32,253</u>	<u>697,253</u>
Total	\$7,116,356	\$2,063,239	\$9,179,595

Source: Fauquier County Department of Finance.

Northwestern Regional Jail Authority. The Northwestern Regional Jail Authority was created pursuant to a concurrent resolution to manage and house prisoners from the City of Winchester and Clarke, Fauquier and Frederick Counties. In 2005, the Northwestern Regional Jail Authority issued its \$15,560,000 Jail Facilities Revenue Bonds, Series 2005, and its \$10,000,000 Jail Facilities Grant Anticipation Notes, Series 2005, to expand and improve the existing regional jail facilities. Pursuant to the Second Amended and Restated Regional Jail Agreement dated as of June 1, 2005, the County's payment obligations under the Restated Regional Jail Agreement are subject to annual appropriation.

Beginning with the fiscal year ended June 30, 2005, and as adjusted by the Northwestern Regional Jail Authority for each fiscal year thereafter, the participating jurisdictions will pay their ratable share of the facilities charges in accordance with a formula to approximate the actual proportionate use of the jail facilities by the participating jurisdictions based on the average prisoners per day for each participating jurisdiction in the preceding three fiscal years, divided by the total average prisoners per day of all the participating jurisdictions for the same period of time (the "Allocation Formula"). For the fiscal years ended June 30, 2005, and 2006, Fauquier County has a 22.80% or \$1,292,772 share of the facilities charges, based on the Allocation Formula.

Debt Service Ratios

Set forth in the tables below are selected data regarding the County's ratio of net general bonded debt to assessed value and annual debt service requirements to total general government expenditures, as well as information regarding the County's net bond debt per capita for the last ten fiscal years.

**Ratio of Net General Bonded Debt to
Assessed Value and Net Bonded Debt Per Capita**

Fiscal Year Ended June 30	Population	Assessed Value	Net Bonded Debt⁽¹⁾	Net Debt Per Capita	Ratio Net Debt To Assessed Value
1996	51,600	\$3,825,750,781	\$38,197,500	\$740	0.0100
1997	51,900	3,914,274,535	42,684,760	822	0.0109
1998	52,900	4,079,470,685	43,687,500	826	0.0107
1999	53,500	4,206,353,573	40,237,500	752	0.0096
2000	54,600	4,337,523,270	40,372,500	739	0.0093
2001	55,139	4,629,902,604	41,460,000	752	0.0090
2002	56,300	5,323,851,071	44,980,000	799	0.0084
2003	57,400	6,060,051,476	41,180,000	717	0.0068
2004	60,400	6,300,261,869	49,045,000	812	0.0078
2005	61,500	6,621,782,229	48,465,000	788	0.0073

Source: Fauquier County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005.

(1) Includes all long-term general obligation bond debt. Excludes enterprise debt, revenue bonds, capital leases, incurred but not reported claims and compensated absences.

**Ratio of Annual Debt Service Expenditures for General Obligation
Bonded Debt to Total General Governmental Expenditures**

Fiscal Year Ended June 30	Debt Service Requirements	Total Expenditures⁽¹⁾	Percent
1996	\$ 6,091,387	\$ 80,858,165	7.53%
1997	5,755,858	100,946,575	5.70
1998	7,011,362	111,967,067	6.26
1999	7,646,523	108,785,548	7.03
2000	6,157,359	115,784,118	5.32
2001	6,288,144	115,022,442	5.47
2002	6,188,549	126,801,252	4.88
2003	7,401,307	143,760,092	5.15
2004	8,790,067	169,024,673	5.20
2005	8,085,106	173,476,748	4.66

Source: Fauquier County Comprehensive Annual Financial Report for Fiscal Year ended June 30, 2005 (as corrected for fiscal year 2004).

(1) Includes all funds of primary government and discretely presented component unit (School Board).

Debt Service by Fiscal Year
General Obligation Bond Debt Service
(including the Series 2006 Bonds)

Fiscal Year	<u>Outstanding Bonds</u>		Total Debt Service	<u>Series 2006 Bonds</u>		Total Debt Service	<u>Total Debt</u>		Total Debt Service
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	
2007	\$4,985,000	\$2,853,070	\$7,838,070				\$4,985,000	\$2,853,070	\$7,838,070
2008	4,930,000	2,479,341	7,409,341				4,930,000	2,479,341	7,409,341
2009	4,850,000	2,207,462	7,057,462				4,850,000	2,207,462	7,057,462
2010	4,210,000	1,958,768	6,168,768				4,210,000	1,958,768	6,168,768
2011	3,835,000	1,749,670	5,584,670				3,835,000	1,749,670	5,584,670
2012	3,800,000	1,555,110	5,355,110				3,800,000	1,555,110	5,355,110
2013	3,490,000	1,373,046	4,863,046				3,490,000	1,373,046	4,863,046
2014	3,485,000	1,200,481	4,685,481				3,485,000	1,200,481	4,685,481
2015	2,690,000	1,044,176	3,734,176				2,690,000	1,044,176	3,734,176
2016	2,690,000	904,608	3,594,608				2,690,000	904,608	3,594,608
2017	2,685,000	764,310	3,449,310				2,685,000	764,310	3,449,310
2018	2,235,000	635,151	2,870,151				2,235,000	635,151	2,870,151
2019	2,060,000	523,044	2,583,044				2,060,000	523,044	2,583,044
2020	2,060,000	417,684	2,477,684				2,060,000	417,684	2,477,684
2021	1,885,000	321,786	2,206,786				1,885,000	321,786	2,206,786
2022	1,660,000	236,323	1,896,323				1,660,000	236,323	1,896,323
2023	1,340,000	161,095	1,501,095				1,340,000	161,095	1,501,095
2024	1,340,000	95,117	1,435,117				1,340,000	95,117	1,435,117
2025	760,000	44,648	804,648				760,000	44,648	804,648
2026	575,000	13,225	588,225				575,000	13,225	588,225
2027	-	-	-				-	-	-
Total	\$55,565,000	\$20,538,115	\$76,103,115				\$55,565,000	\$20,538,115	\$76,103,115

Source: Finance Department, Fauquier County.

**Rapidity of Principal Repayment of
General Obligation Debt**

<u>Maturing in Fiscal Years</u>	<u>Principal Amount</u>	<u>Percent of Total General Obligation Debt</u>
2007-2011	\$22,810,000	41%
2012-2016	16,155,000	29
2017-2021	10,925,000	20
2022-2026	5,675,000	10

CAPITAL IMPROVEMENTS PROGRAM

The Board was presented with a Capital Improvements Plan (“CIP”) for the ten fiscal years ending June 30, 2016. While the CIP is not intended to be a fixed schedule for the expenditure of funds or the issuance of debt to provide these funds, it does present a plan identifying needed public facilities in the County. It assigns estimated costs to such facilities and anticipated sources of funding.

Each year a new CIP is adopted, with the first year of the program serving as the County’s capital budget for that year in the annual fiscal plan. The remaining program years serve as a guide to ongoing project planning and preparation for the following year’s CIP.

The current CIP is summarized below and includes \$73,765,275 in projects planned for fiscal year 2007. Over the ten year planning period, the major project areas include school construction and general public improvements.

**CAPITAL IMPROVEMENT COST SUMMARY BY PROGRAM AND SOURCE
FISCAL YEARS ENDING JUNE 30**

The CIP indicates the following potential projects.

	Prior Appropriations	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Schools	\$25,720,100	\$52,454,688	\$18,500,000	\$9,200,000	\$7,000,000	\$10,194,000	\$ 0	\$13,890,000	\$13,890,000	\$ 8,006,000	\$ 0	\$158,854,788
Gen. County	0	2,574,000	626,750	0	2,000,000	18,000,000	18,325,000	3,000,000	3,000,000	0	0	47,525,750
Library	0	0	3,662,386	3,640,754	0	0	0	419,125	4,960,208	5,541,850	2,216,153	20,350,476
Parks & Rec.	0	0	874,000	3,553,000	0	819,000	0	241,000	7,657,000	93,000	2,010,000	15,247,000
Fire & Rescue	0	18,736,587	0	0	0	0	0	0	0	0	0	18,736,587
TOTAL	\$25,720,100	\$73,765,275	\$23,663,126	\$16,393,754	\$9,000,00	\$29,013,000	\$18,325,000	\$17,550,125	\$29,507,208	\$13,640,850	\$4,136,153	\$260,714,601

The CIP indicates the following potential funding sources for the projects identified above.

	Prior Appropriations	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Tax-Supported												
Debt	\$ 0	\$47,914,000	\$38,563,136	\$13,793,754	\$6,400,000	\$26,413,000	\$15,725,000	\$14,950,125	\$26,970,208	\$11,040,850	\$1,536,153	\$203,243,326
Cash Funded	5,914,100	9,420,588	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	2,600,000	38,734,688
Self-Support	0	18,736,587	0	0	0	0	0	0	0	0	0	18,736,587
TOTAL	\$5,914,100	\$76,071,375	\$41,163,136	\$16,393,754	\$9,000,00	\$29,013,000	\$18,325,000	\$17,550,125	\$29,507,208	\$13,640,850	\$4,136,153	\$260,714,601

Source: Budget Office, Fauquier County.

PENSION PLANS

All eligible full time employees of the County and School Board are automatically enrolled in the Virginia Retirement System (VRS). Funding status and trend information can be found in Note 13 of the County's Basic Financial Statements for the fiscal year ended June 30, 2005, located in Appendix A to this Official Statement. The County has no unfunded liability.

POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

The GASB has adopted a new Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits other than Pensions*, that requires localities to recognize the post-employment benefits other than pensions (such as healthcare and related costs) that localities have agreed to provide their retired employees. The County will be required to implement GASB Statement #45 and incorporate such information in its financial statements beginning in fiscal year 2008. The County issued a request for proposals for actuarial services in July to conduct an actuarial study to determine its potential liability. The County is currently reviewing the proposals and has plans to conduct the study in the fall of 2006. Decisions made by the Board of Supervisors and School Board in the future could change the amount of the Unfunded Actuarial Accrued Liability at the time the statement implementation is required.

SECTION FOUR: LEGAL AND MISCELLANEOUS

LEGAL MATTERS

Certain legal matters relating to the authorization and validity of the Bonds will be subject to the approving opinion of Hunton & Williams LLP, Bond Counsel, which will be furnished at the expense of the County upon delivery of the Bonds, in substantially the form set forth as Appendix B (the “Bond Opinion”). The Bond Opinion will be limited to matters relating to authorization and validity of the Bonds and to the tax-exempt status of interest thereon as described in the section “TAX EXEMPTION.” Bond Counsel has not been engaged to investigate the financial resources of the County or its ability to provide for payment of the Bonds, and the Bond Opinion will make no statement as to such matters or as to the accuracy or completeness of this Official Statement or any other information that may have been relied on by anyone in making the decision to purchase Bonds.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of Bond Counsel, under current law, interest, including accrued original issue discount (“OID”), on the Bonds (a) will not be included in gross income for Federal income tax purposes, (b) will not be an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for Federal income tax purposes) subject to the alternative minimum income tax, such interest is taken into account in determining adjusted current earnings for purposes of computing such tax, and (c) will be exempt from income taxation by the Commonwealth of Virginia. Except as discussed below regarding OID, no other opinion is expressed by Bond Counsel regarding the tax consequences of the ownership of the receipt or accrual of interest on the Bonds.

Bond Counsel’s opinion will be given in reliance upon certifications by representatives of the County as to certain facts relevant to both the opinion and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order for interest thereon to remain excludable from gross income for Federal income tax purposes. The County has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds. Failure by the County to comply with such covenants, among other things, could cause interest, including accrued OID, on the Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue.

The Internal Revenue Service (the “Service”) has a program to audit state and local government obligations to determine whether the interest thereon is includible in gross income for Federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the County as the taxpayer and the owners of the Bonds will have only limited rights, if any, to participate.

Bond Counsel’s opinion represents its legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but is not a guarantee of result or binding on the Service or the courts. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in law or the interpretation thereof that may thereafter occur or become effective.

Original Issue Discount

The initial offering prices of each maturity of the Bonds maturing in the years ____ through ____ (the “OID Bonds”), will be less than their stated principal amount. In the opinion of Bond Counsel, under current law, the difference between the stated principal amount and the initial offering price of each maturity of OID Bonds to the public (excluding bond houses and brokers) at which a substantial amount of such maturity of such Bonds is sold will constitute OID. The offering prices set forth on the inside cover of this Official Statement for the OID Bonds

are expected to be the initial offering price to the public at which a substantial amount of each maturity of such Bonds are sold.

Under the Code, for purposes of determining the holder's adjusted basis in an OID Bond, OID treated as having accrued while the holder holds the Bond will be added to the holder's basis. OID will accrue on a constant yield-to-maturity method. The adjusted basis will be used to determine taxable gain or loss upon the sale or other disposition (including redemption or payment at maturity) of an OID Bond.

Prospective purchasers of the OID Bonds should consult their own tax advisors with respect to the calculation of accrued OID and the state and local tax consequences of owning or disposing of such Bonds.

Original Issue Premium

Bonds purchased, whether upon issuance or otherwise, for an amount (excluding any amount attributable to accrued interest) in excess of their principal amount will be treated for Federal income tax purposes as having amortizable bond premium. A holder's basis in such a Bond must be reduced by the amount of premium which accrues while such Bond is held by the holder. No deduction for such amount will be allowed, but it generally will offset interest on the Bonds while so held. Purchasers of such Bonds should consult their own tax advisors as to the calculation, accrual and treatment of amortizable bond premium and the state and local tax consequences of holding such Bonds.

Other Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral Federal income tax consequences to certain taxpayers, including without limitation financial institutions, property and casualty insurance companies, S corporations, foreign corporations subject to the branch profits tax, recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to the applicability and impact of such consequences.

There are many events which could affect the value and liquidity or marketability of the Bonds after their issuance, including but not limited to public knowledge of an audit of the Bonds by the Service, a general change in interest rates for comparable securities, a change in Federal or state income tax rates, legislative or regulatory proposals affecting state and local government securities and changes in judicial interpretation of existing law. In addition, certain tax considerations relevant to owners of Bonds who purchase Bonds after their issuance may be different from those relevant to purchasers upon issuance. Neither the opinion of Bond Counsel nor this Official Statement purports to address the likelihood or effect of any such potential events or such other tax considerations and purchasers of the Bonds should seek advice concerning such matters as they deem prudent in connection with their purchase of Bonds.

Prospective purchasers of the Bonds also should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state other than Virginia.

LITIGATION

The County Attorney advises that there is no litigation pending or, to the best of his knowledge, threatened, against the County which in any way would question or affect the validity of the Bonds, or the right of the County to levy and collect ad valorem taxes, without limitation of rate or amount, to pay the principal of or interest on the Bonds.

During the normal course of business, the County and its employees have been named as defendants in various claims which are being defended by the County. It is the opinion of the County Attorney that any possible losses in connection with such litigation will not have a material adverse effect on the County's financial condition.

CERTIFICATES OF COUNTY OFFICIALS

Concurrently with the delivery of the Bonds, the County will furnish (1) a certificate dated the date of delivery of the Bonds, signed by the officers who sign the Bonds and stating that no litigation is then pending or, to their knowledge, threatened against the County to restrain or enjoin the issuance or delivery of the Bonds, the levy or collection of taxes to pay principal of or interest thereon, or in any manner questioning the proceedings and authority under which the Bonds are issued and (2) a certificate dated the date of the delivery of the Bonds, signed by the appropriate County officials and stating that (a) the descriptions and statements contained in this Official Statement (except in the sections entitled "Book-Entry System" and "Litigation" and the information as to price or yield and CUSIP numbers on the inside cover page) on the date of this Official Statement and on the date of delivery of the Bonds were and are true and correct in all material respects, did not and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances in which they were made, not misleading and (b) no material adverse change has occurred in the financial condition of the County between the date of this Official Statement and the date of delivery, other than as contemplated in this Official Statement. Such certificate will also state, however, that the persons signing such certificate did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the County and its officers, but that they have no reason to believe that such information is not accurate.

The County will also furnish to the successful bidder a certificate dated the date of delivery of the Bonds, signed by the County Attorney stating that the statements in the section entitled "Litigation" on the date of this Official Statement and on the date of delivery of the Bonds were and are true and correct in all material respects and did not and do not contain an untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in light of the circumstances under which they were made, not misleading.

SALE AT COMPETITIVE BIDDING

The Bonds will be offered for sale at competitive bidding on _____, 2006. After the Bonds have been awarded, the County will issue an Official Statement in final form to be dated _____, 2006. The County will deem the Official Statement final as of its date, and the Official Statement in final form will be a "Final Official Statement" within the meaning of the Rule. The Official Statement in final form will include, among other matters, the identity of the winning bidder, the expected selling compensation to such winning bidder and other information on the interest rates and offering prices or yields of the Bonds, all as supplied by the winning bidder.

RATINGS

As noted on the cover page of this Official Statement, Moody's Investors Service, Inc., 99 Church Street, New York, New York, Standard & Poor's Public Finance Ratings, 55 Water Street, New York, New York, and Fitch Ratings, Inc., One State Street Plaza, New York, New York, have given the Bonds ratings of "____," "____" and "____," respectively.

Moody's issues ratings ranging from Aaa to C to designate the relative investment qualities of bonds. The ____ rating is the _____ highest of nine such ratings Moody's uses. Moody's describes its ____ rating as follows:

Standard & Poor's issues ratings ranging from AAA to D to designate the relative investment qualities of bonds. The ____ rating is the _____ highest of ten such ratings Standard & Poor's uses. Standard & Poor's describes its ____ rating as follows:

Fitch issues ratings ranging from AAA to D to designate the relative investment qualities of bonds. The ____ rating is the _____ highest major rating category of twelve such categories. Fitch describes its ____ rating as follows:

The County furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the County. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the County. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

FINANCIAL ADVISOR

BB&T Capital Markets, Richmond, Virginia, serves as financial advisor (the “Financial Advisor”) to the County. The Financial Advisor has assisted the County in matters relating to the planning and structuring of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is not contingent upon the issuance and delivery of the Bonds.

CERTIFIED PUBLIC ACCOUNTANTS

The financial statements of the County for the fiscal year ended June 30, 2005, presented in Appendix A have been examined by Robinson, Farmer, Cox Associates, independent certified public accountants. The Comprehensive Annual Financial Report of the County of Fauquier for the Fiscal Year ended June 30, 2005, is available for inspection at the County’s Department of Finance, 320 Hospital Street, Suite 24, Warrenton, Virginia, 20186. Neither Robinson, Farmer, Cox Associates nor Cherry Bekaert & Holland, L.L.P. will not be reviewing this Official Statement or any other matters in connection with the issuance of the Bonds.

CONTINUING DISCLOSURE

The County desires to assist the purchaser of the Bonds bidder in complying with the provisions of the Rule promulgated by the SEC and has agreed to execute a Continuing Disclosure Agreement in order to provide certain annual financial information and material event notices required by the Rule. As described in Appendix C, such undertaking requires the County to provide only limited information at specified times. [The County has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide certain annual financial information and material event notices.]

The obligation of the County described above requires it to provide only limited information at specific times and the information provided may not be all information necessary to value the Bonds at any particular time. The County may from time to time disclose certain information and data in addition to that required by the Continuing Disclosure Agreement. If the County chooses to provide any additional information, the County will have no obligation to continue to update such information or to include it in any future disclosure filing.

As of the date of this Official Statement, the SEC has recognized the following entities as nationally recognized municipal securities information repositories (“NRMSIRs”):

Bloomberg Municipal Repositories
100 Business Park Drive
Skillman, New Jersey 08558
Telephone: (609) 279-3225
Facsimile: (609) 279-5962
E-Mail: Munis@Bloomberg.com

Standard & Poor’s Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Telephone: (212) 438-4595
Facsimile: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com

DPC Data Inc.

One Executive Drive
Fort Lee, New Jersey 07024
Telephone: (201) 346-0701
Facsimile: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

FT Interactive Data

Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Telephone (212) 771-6899; (800) 689-8466
Facsimile: (212) 771-7390
E-Mail: NRMSIR@interactivedata.com

No state information depository ("SID") has been created for the Commonwealth of Virginia. If, however, a SID is hereafter created for such state, the City is obligated to make filings and provide notices to the SID as required by the Rule. Investors and other interested parties may contact any NRMSIR for additional information concerning its services. The City makes no representation as to the scope of the services provided to the secondary market by any NRMSIR, or as to the costs for the provision of such services by any NRMSIR.

The County is permitted under the Continuing Disclosure Agreement to make filings solely through the Texas Municipal Advisory Council (the "MAC") as provided at <http://www/disclosureusa.org> unless the SEC withdraws the interpretive advice in its letter to the MAC dated September 7, 2004.

ADDITIONAL INFORMATION

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. All quotations from and summaries and explanations of laws contained in this Official Statement do not purport to be complete and reference is made to said laws for full and complete statements of their provisions. Any questions concerning the contents of this Official Statement should be directed to Vivian A. McGettigan, Director of Finance, (540) 428-8726.

MISCELLANEOUS

All summaries in this Official Statement of provisions of the Constitution of the Commonwealth of Virginia, statutes of the Commonwealth of Virginia, ordinances or resolutions of the County, or other documents and instruments and of the Bonds are subject to the detailed provisions and judicial interpretations to which reference is hereby made for further information. Such summaries do not purport to be complete statements of any or all of such provisions.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date. This Official Statement and any advertisement of the Bonds are not to be construed as a contract with the purchasers of the Bonds. Any statements made in this Official Statement involving matters of opinions or estimates, whether or not so expressly identified, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The distribution of this Preliminary Official Statement has been duly authorized by the County Board of Supervisors. The County has deemed this Preliminary Official Statement final as of its date within the meaning of the Rule, except for the omission of certain pricing and other information permitted to be omitted pursuant to the Rule.

COUNTY OF FAUQUIER, VIRGINIA

By: _____
County Administrator

APPENDIX A

BASIC FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2005

APPENDIX B

FORM OF BOND COUNSEL OPINION

PROPOSED FORM OF BOND COUNSEL OPINION

Set forth below is the proposed form of opinion of bond counsel. It is preliminary and subject to change prior to delivery of the Bonds.

Board of Supervisors
County of Fauquier
Warrenton, Virginia

Fauquier County, Virginia
\$39,615,000 General Obligation School Bonds
Series 2006

Ladies and Gentlemen:

We have examined the applicable law and certified copies of proceedings and documents relating to the issuance and sale by Fauquier County, Virginia (the "County"), of its \$39,615,000 General Obligation School Bonds, Series 2006 (the "Bonds"). Reference is made to the form of the Bonds for information concerning their details, including payment and redemption provisions, their purpose and the proceedings pursuant to which they are issued.

Without undertaking to verify the same by independent investigation, we have relied on certifications by representatives of the County as to certain facts relevant to both our opinion and requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The County has covenanted to comply with the current provisions of the Code regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds, all as set forth in the proceedings and documents relating to the issuance of the Bonds (the "Covenants").

Based on the foregoing, we are of the opinion that:

1. The Bonds have been authorized and issued in accordance with the Constitution and statutes of the Commonwealth of Virginia, including the Public Finance Act of 1991, and constitute valid and binding obligations of the County, and the County Board of Supervisors is authorized and required by law, unless other funds are lawfully available and appropriated for timely payment of the Bonds, to levy and collect an annual ad valorem tax, over and above all other taxes authorized or limited by law and without limitation as to rate or amount, on all locally taxable property in the County sufficient to pay when due the principal of and [premium, if any, and] interest on the Bonds.

2. The rights of the holders of the Bonds and the enforceability of such rights may be limited or otherwise affected by (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other laws affecting the rights of creditors generally and (b) principles of equity, whether considered at law or in equity.

3. Under current law, interest, including accrued original issue discount ("OID"), on the Bonds (a) is not included in gross income for Federal income tax purposes and (b) is not an item of tax preference for purposes of the Federal alternative minimum income tax imposed on individuals and corporations; however, with respect to corporations (as defined for Federal income tax purposes) subject to the alternative minimum income tax, such interest, including accrued OID, is taken into account in determining adjusted current earnings for purposes of computing such tax. The opinion set forth in the preceding sentence is subject to the condition that there is compliance subsequent to the issuance of the Bonds with all requirements of the Code that must be satisfied in order that interest thereon not be included in gross income for Federal income tax purposes. Failure by the County to

comply with the Covenants, among other things, could cause interest, including accrued OID, on the Bonds to be included in gross income for Federal income tax purposes retroactively to their date of issue. In the case of the Bonds maturing in the years ____ through ____ (the "OID Bonds"), the difference between (i) the stated principal amount of each maturity of the OID Bonds and (ii) the initial offering price to the public (excluding bond houses and brokers) at which a substantial amount of such maturity is sold will constitute OID; OID will accrue for Federal income tax purposes on a constant yield-to-maturity method; and a holder's basis in such a Bond will be increased by the amount of OID treated for Federal income tax purposes as having accrued on the Bond while the holder holds the Bond. We express no opinion regarding other Federal tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

4. Under current law, interest, including accrued OID, on the Bonds is exempt from income taxation by the Commonwealth of Virginia.

Our services as bond counsel to the County have been limited to delivering the foregoing opinion based on our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon. We express no opinion herein as to the financial resources of the County, its ability to provide for payment of the Bonds or the accuracy or completeness of any information, including the County's Preliminary Official Statement dated _____, 2006, and its Official Statement dated _____, 2006, that may have been relied upon by anyone in making the decision to purchase Bonds.

Very truly yours,

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

FORM OF CONTINUING DISCLOSURE AGREEMENT

This CONTINUING DISCLOSURE AGREEMENT dated _____, 2006 (the "Disclosure Agreement"), is executed and delivered by Fauquier County, Virginia (the "Issuer"), in connection with the issuance by the Issuer of its \$39,615,000 General Obligation School Bonds, Series 2006 (the "Bonds"). The Issuer hereby covenants and agrees as follows:

Section 1. Purpose. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the holders of the Bonds and in order to assist the purchasers of the Bonds in complying with the provisions of Section (b)(5)(i) of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC") by providing certain annual financial information and material event notices required by the Rule (collectively, "Continuing Disclosure").

Section 2. Annual Disclosure. (a) The Issuer shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles; and

(ii) the operating data with respect to the Issuer of the type described in the sections of the Issuer's Official Statement dated _____, 2006, entitled "Tax Base Data" and "Debt Administration."

If the financial statements filed pursuant to Section 2(a) are not audited, the Issuer shall file such statements as audited when available.

(b) The Issuer shall provide annually the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") within 240 days after the end of the Issuer's fiscal year, commencing with the Issuer's fiscal year ending June 30, 2006, to each nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate state information depository if any then exists ("SID").

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to each NRMSIR and to the SID or filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the Municipal Securities Rulemaking Board (the "MSRB").

(d) The Issuer shall provide in a timely manner to each NRMSIR or the MSRB and to the SID notice specifying any failure of the Issuer to provide the Annual Disclosure by the date specified.

Section 3. Event Disclosure. The Issuer shall provide in a timely manner to each NRMSIR or the MSRB and to the SID notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on any credit enhancement reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of Bondholders;

- (h) bond calls;
- (i) defeasance of all or any portion of the Bonds;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

Section 4. Termination. The obligations of the Issuer will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Bonds.

Section 5. Amendment. The Issuer may modify its obligations hereunder without the consent of Bondholders, provided that this Disclosure Agreement as so modified complies with the Rule as it exists at the time of modification. The Issuer shall within a reasonable time thereafter send to each NRMSIR and the SID a description of such modification(s).

Section 6. Defaults. (a) If the Issuer fails to comply with any covenant or obligation regarding Continuing Disclosure specified in this Disclosure Agreement, any holder (within the meaning of the Rule) of Bonds then outstanding may, by notice to the Issuer, proceed to protect and enforce its rights and the rights of the holders by an action for specific performance of the Issuer's covenant to provide the Continuing Disclosure.

(b) Notwithstanding anything herein to the contrary, any failure of the Issuer to comply with any obligation regarding Continuing Disclosure specified in this Disclosure Agreement (i) shall not be deemed to constitute an event of default under the Bonds or the resolution providing for the issuance of the Bonds and (ii) shall not give rise to any right or remedy other than that described in Section 6(a) above.

Section 7. Alternative Filing Method. Any filing under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the SEC withdraws the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 8. Additional Disclosure. The Issuer may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Issuer shall not incur any obligation to continue to provide, or to update, such additional information or data.

Section 9. Counterparts. This Disclosure Agreement may be executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 10. Governing Law. This Disclosure Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

FAUQUIER COUNTY, VIRGINIA

Chairman, Board of Supervisors

County Administrator

APPENDIX D

OFFICIAL NOTICE OF SALE AND BID FORM

APPENDIX D